FOREIGN BROADCAST INFORMATION SERVICE

Daily Report

Central Eurasia

FBIS-SOV-95-139
Thursday
20 July 1995

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Daily Report
Central Eurasia

FBIS-SOV-95-139 *20 July 1995*

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ITAR-TASS Carries Press Review for 20 Jul

LD2007053995 Moscow ITAR-TASS in English 0524 GMT 20 Jul 95

["Press Review" — ITAR-TASS headline]

[FBIS Transcribed Text] MOSCOW, July 20 (ITAR-TASS) — Newspapers comment today on the report, made by Prime Minister Viktor Chernomyrdin at a session of the State Duma, about the results of the socio-economic development of the country during the first six months of 1995. TRUD points to the cautious optimism of the Government over the situation in the country. "Knowing only too well the grim realities of Russia's everyday life, the Government is still optimistic of the near future," the newspaper writes. "It is this attitude that made it possible for the Prime Minister to say that the socio-economic situation is acquiring new traits, although it continues to be extremely complicated ... The slowing down of the pace of the reduction of the domestic national product and industrial output gives the greatest satisfaction."

KRASNAYA ZVEZDA also carries materials on this subject. It writes: "Russia's head of Government Viktor Chernomyrdin described the economic situation in the country in a rather reserved manner. This tone is, undoubtedly, in line with the feelings of most Russians... At the same time, the Prime Minister was full of confidence that the course, chosen by the Government, will take the country to the main road of development."

IZVESTIYA carries an article by its observer Otto Latsis, which comments on Chernomyrdin's report at the Duma. Latsis analyses the economic indices of Russia for the first half of the current year and comes to the conclusion that a trend towards stabilisation is becoming evident in this country. He agrees with the conclusions, made by Chernomyrdin in his report on July 19, and writes: "Many facts show that our economy is heading towards stabilisation." In his opinion, the growth of activity in the housing construction sector precedes the boosting of the whole of the investment process.

The results of hearings on the "Chechen case" at the Constitutional Court, the last before the passing of judgement, are summed up by IZVESTIYA observer Yuriy Feofanov. "The discussion at the hearings showed shat a mess our legal sphere is," he writes.

ROSSIYSKIYE VESTI publishes a report on the "Chechen case," made before the Constitutional Court by Vice Premier Sergey Shakhray. In his concluding speech at the hearings, he set forth all the arguments in defence of the actions of Russian troops in Chechnya and decrees of the Russian President.

KOMSOMOLSKAYA PRAVDA frontpages an interview with two investigating officers from the Prosecutor-General's Office, Boris Pogorelov and Boris Uvarov. The Senior Counsellors of Justice are concerned over the fact that professionals are leaving Public Prosecutor's Offices. They believe this is the result of the disrespectful attitude to the law, displayed by senior officials of the Prosecutor-General's Office. "One could name several cases, on which resolutions were passed proceeding from political expediency," Uvarov said. "If an investigating officer does not agree with the resolution, the case is taken from him and given to someone else under any pretext, and the needed resolution will be passed anyway."

IZVESTIYA frontpages an article by its correspondent in Khabarovsk Boris Reznik under the headline "The Military and Public Prosecutors Taking Part in Illegal Arms Trade." The article deals with a scandal that broke out recently in the Russian Far East: a frontier guard boat arrested in the open sea a Russian fishing boat, which was transporting to South Korea the submachine-guns and machine-guns, stolen from the arms depot of a Russian army unit. It is noteworthy that Valery Kulikov, public prosecutor of the city of SOVETSKAYA GAVAN, was registered in the boat's documents as a sailor working at the galley, the newspaper writes. About all the servicemen on duty, who took part in the stealing of armaments, were drunk.

Commenting on the scandal with the TV programme "Puppets," KOMSOMOLSKAYA PRAVDA carries an interview with its author Viktor Shenderovich. In his opinion, "all this fuss (meaning the bringing of a lawsuit against the "Puppets" programme) is rather funny... The result will be the soaring of the programme's popularity."

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Yeltsin, Kohl Discuss Bosnia on Telephone

LD2007122095 Moscow ITAR-TASS in English 1210 GMT 20 Jul 95

[FBIS Transcribed Text] MOSCOW July 20 (ITAR-TASS) — Russian President Boris Yeltsin today had a telephone talk with German Chancellor Helmut Kohl, on Kohl's initiative.

Yeltsin and Kohl discussed the situation in Bosnia and agreed that active efforts of the world community are required for a political settlement of the Bosnia conflict, the presidential press service reported.

Kozyrev: 'Political Tools' Not Exhausted

LD1907172595 Moscow INTERFAX in English 1616 GMT 19 Jul 95

[From the "Diplomatic Panorama" feature: by diplomatic correspondents Aleksandr Korzun, Igor Porshnev, Yevgeniy Terekhov, and others]

[FBIS Transcribed Text] MOSCOW, July 19 (INTERFAX) — The conference, to be held in London Friday, of the foreign and defense ministers of the countries represented in the contact group on resolving the Bosnian conflict "should not become a headquarters planning a military rather than a peacekeeping operation," Russian Foreign Minister Andrey Kozyrev said at a briefing on the results of his meeting with his Croatian counterpart Mate Granic.

Kozyrev said he welcomed the participation of military chiefs in the London meeting because Russia cared for the safety of the peacekeeping unit in Bosnia but made it clear that the defense ministers are needed only to improve the planning.

He also said that he had a talk with Russian Defense Minister Pavel Grachev about it and the two men had agreed to work together on proposals to be submitted to the president.

Asked by INTERFAX about the official position on lifting the blockade of the Ukrainian unit surrounded by Bosnian Moslems, Kozyrev said that the unit should be protected by peaceful means.

In his view, the peacekeepers are not prepared to wage war. "Involving them in a single military action would spell involvement in the war for them. Thus coming to the rescue of one group we will expose the entire peacekeeping operation and the servicemen participating in it to a great danger," Kozyrev explained.

He said that political tools "have not been exhausted" in resolving the Bosnian conflict. Kozyrev insisted that both the Bosnian Moslems and the Bosnian Serbs must be convinced that there is no military solution to the situation. He believed that Croatia is capable of making a constructive contribution to this plan.

Granic said at the briefing that the international community must make a special effort, lest the war will expand.

He added that economic as well as political issues were discussed at the talks. Granic expressed the hope that agreements on opening trading missions and supplying Croatia with Russian oil will be initialed Wednesday.

Chernyshev on Possible End to Bosnia Arms Ban

LD2007104495 Moscow ITAR-TASS in English 1000 GMT 20 Jul 95

[By Andrey Palariya]

[FBIS Transcribed Text] ANKARA July 20 (ITAR-TASS) — Russian Deputy Foreign Minister Albert Chernyshev, who is on a visit to Turkey, said the lifting of the embargo on arms supplies to Bosnia might lead to escalation of the Bosnia conflict and greater bloodshed.

Commenting on the latest developments in former Yugoslavia, Chernyshev said "there may be no winners in this war".

Other subjects of Chernyshev's two-day talks with the Turkish leadership include bilateral issues, developments around Azerbaijan's oil consortium and the situation in Chechnya and Transcaucasia.

Yeltsin Aide Meets Bosnian Serb Delegation

LD1907174195 Moscow INTERFAX in English 1629 GMT 19 Jul 95

[From the "Presidential Bulletin" feature: compiled by Nikolay Zherebtsov, Andrey Petrovskiy, and edited by Vladimir Shishlin]

[FBIS Transcribed Text] A delegation of the opposition Bosnian Serb Civic Veche (Civic Assembly) headed by Mr Peyanovic met Yeltsin's foreign policy adviser Dmitriy Ryurikov late on Tuesday to discuss the situation in Bosnia and the organization's proposals for regional peace.

Ryurikov said the Assembly put forward a proposal saying Russia and other members of the contact group should build up pressure on the Pale regime to force it to accept the regional peace plan, now one year-long.

Referring to the visiting delegation, Ryurikov said most Bosnian Serbs wanted peace and were not supportive of the Pale regime.

He told the Serb delegation that Russia was making efforts to try to bring a political solution to the Bosnian tragedy and early peace in the region.

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In the meantime, the Russian foreign ministry is working hard ahead of a meeting by the foreign and defense ministers of the contact group due in London on Friday.

Russian Foreign Minister Andrey Kozyrev warned against attempts to try to turn the meeting into a headquarters working out a military rather than a peacekeeping operation in Bosnia-Herzegovina, Kozyrev told a news briefing at the end of talks with his Croatian counterpart Mate Granic on Tuesday.

Kozyrev hailed the defense ministers' involvement in the Friday meeting though adding they were only needed for working out measures to enhance security of the UNPROFOR [UN Protection Force] soldiers, but for nothing else.

He announced having discussed this with Russian Defense Chief Pavel Grachev. The minister said he and Grachev had agreed to work together on proposals to be submitted to the Russian president.

Kozyrev is opposed to the idea of releasing Ukrainian peacekeepers held by Bosnian Moslems by force.

In his view, UNPROFOR soldiers are not prepared to wage war. They could easily be dragged into fighting if turned into a new party to the conflict, said the minister. He said that any attempt to release one group of peacekeepers by force would put the whole peacekeeping operation at risk.

Kozyrev stressed that political ways of resolving the conflict had not be exhausted yet. He said attempts must be made to try to convince Bosnian Moslems and Bosnian Serbs that there was no military solution to the conflict. In his words, Croatia may well "contribute to this."

Davydov: Talks With WTO To Continue in Dec

LD1907204295 Moscow ITAR-TASS in English 2021 GMT 19 Jul 95

[By Konstantin Pribytkov]

[FBIS Transcribed Text] GENEVA, July 20 (ITAR-TASS) — The next round of talks on Russia's admission to the World Trade Organisation (WTO) will be held on December 4-6, 1995, members of the Russian delegation told ITAR-TASS on Wednesday.

"We are pleased with the way the discussion goes and the good attitude," Vice-Prime Minister Oleg Davydov who heads the Russian delegation to the talks said.

Davydov, who is also the Minister of Foreign Economic Relations, said more than half of the proposals contained in a foreign trade memorandum submitted by Russia had been discussed during the three-day talks.

The policy mapped out by the president and the government of Russia has met understanding and support of the WTO members, he said. "Moscow's policy met understanding and WTO member-countries — at present numbering 100 — welcome its desire to become a member of the multilateral trade system," he added.

Russia's admission to the WTO will help it achieve several goals. First of all, this is an important incentive for consolidating the reform process in the country and accelerating its economic development. Secondly, it will enable Russia to become an equal partner on the world market and create a more favourable climate for its exports, the vice-premier said.

Davydov stressed that the talks provided a good opportunity for Russia to "secure itself political support." Russia's partners realise the importance of the incorporation of the Russian market into the world trade system, he said.

At the same time, he noted that not all problems will be solved with Russia's admission and "a lot of things will have to be done." In particular, Russia will have to present the WTO with a supplement to its foreign trade memorandum detailing its policy in the sphere of services and intellectual property rights.

Under the present regulations, after discussions within the working group the sides will begin bilateral negotiations to work out a protocol on Russia's admission to the WTO. This process may take several years.

EBRD, World Bank To Aid Russian Banks

MM2007114895 Moscow IZVESTIYA (Financial Section) in Russian 20 Jul 95 p i

[AFI report: "European Bank for Reconstruction and Development and World Bank Will Provide Credit for 18 Russian Commercial Banks"]

[FBIS Translated Text] By the end of the year 18 Russian commercial banks should receive accreditation to take part in the plan to develop Russia's financial institutions which is being implemented by the European Bank for Reconstruction and Development (EBRD) in cooperation with the Russian Federation Government and the World Bank. In all it is planned to involve up to 45 Russian banks in the project, whose total cost should be $300 million, including the Eurobank's share of $100 million. The selection of applicants to take part is being done by the Russian Federation Ministry of Finances on the EBRD's recommendation. The size, terms, and deadline for the credit supplied to each specific bank are determined by the Russian side, which is acting as guarantor for the funds earmarked by the EBRD.

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START II Treaty Ratification Seen Assured

MK2007100095 Moscow KOMMERSANT-DAILY in Russian 20 Jul 95 p 4

[Report by Aleksandr Koretskiy: "START II Hearings. Cuts Are In Order Because There Are No Maintenance Funds"]

[FBIS Translated Text] The ratification of the START II treaty (on further cutting and limiting strategic offensive weapons) will help Russia minimize the difference between its nuclear potential and that of the United States. As for Russia's counter-force potential, it will even grow 20 percent despite the cuts as a result of the implementation of START II owing to a marked decrease in the corresponding potential of the United States. Such is only the smaller part of the arguments by those who advocate the ratification of the treaty voiced in the course of the first open hearings in the Duma. The final conclusions on the feasibility and, perhaps, additional terms of ratification will be drawn in September — there will be separate hearings on the financial aspects of START II implementation. One can already today, however, say with confidence: despite the pessimistic forecasts of its opponents, the treaty will be ratified with no special problems by the current State Duma.

The treaty was signed by Boris Yeltsin and George Bush in Moscow 3 January 1993. Many a lance has been broken since over the ratification problem both in Russia and the United States: some congressmen are sure that START II considerably lowers America's defense potential. A similar view, but as applied to Russia, is also voiced by a number of Russian deputies.

The Russian politicians primarily doubt the feasibility of what is at first sight an abrupt change in the structure of the Russian strategic nuclear forces: under the treaty, the sea-based component of Russia's nuclear forces should be upped from 30 percent to between 50 and 58 percent. And this should be done by cutting the number of ground-based missiles. Russia will in fact have to scrap the new generation SS-18 and SS-19 ground-based intercontinental missiles. Shifting the center of gravity to sea-based missiles can take place only in theory: 90 percent of the submarine missile cruisers were built before 1990, which implies that their service life will be up in the year 2015. Russia actually does not build new subs — their keels have been laid but construction has been halted by lack of funds. A relative stability will only prevail in strategic aviation — the fleet of Tu-95 MS and Tu-160 bombers will be cut under the treaty by as little as 24 bombers. By 1998, the Air Force is supposed to have not more than 113 planes whereas their number today is 137. And 53 of them are outside Russia (7 in Kazakhstan and 44 in Ukraine), for which reason no Russian planes should be scrapped. Incidentally, it came to light during the hearings that Moscow did not lose all interest in Ukrainian strategic aviation at all — the Russian Air Force is still counting on it.

All the military strategy doubts of the politicians were dispelled by Vladimir Zhurbenko, first deputy chief of the General Staff. He thinks that by cutting the number of warheads to 3,500, START II facilitates the formation of a grouping of strategic offensive forces which is adequate to that of the United States. Indeed, reducing the number of warheads mounted on intercontinental missiles and submarine-based missiles does not call for remodeling or replacing the MRV [multiple reentry vehicle] platform and the destruction of the warheads removed from them, which gives potential advantages — this creates the danger of a quick increase in nuclear potential if the United States pulls out of the treaty. In this case, the United States will have more warheads than Russia by 55 percent. But this is still less than what it would have had under START I. This is to say, the United States is not getting a real edge, while Russia retains the effectiveness of its nuclear forces in retaliatory actions.

As regards the change in the structure, Zhurbenko stated that it would have to be altered in any case — most ground-based missiles are at the end of their useful life. They are supposed to be replaced by new missiles which Russia does not have. More accurately, there is no base for building heavy missiles of the SS- 18 and SS-19 type which were produced in the Ukrainian "Yuzhmash." In principle, industrial cooperation could be arranged, but after Kiev joined the Nuclear Nonproliferation Treaty, this opportunity was lost. As a result, Russia is able today to produce on its own only one type of missile — the single-warhead "Topol," on whose basis its ground-based nuclear forces will be developing. Plans call for the production of two versions of this missile — one for the existing mobile missile systems, and the new "Topol-M" system.

An important START II provision, the military thinks, is the fact that, in the number of warheads, the treaty brings U.S. nuclear forces down closer to a level which Russia is objectively capable of maintaining. The Russian military, one might say, dreamed of really counting in the warheads carried by bombers provided for by START II. The thing is that under START I, each Russian strategic bomber can carry 8 nuclear-tipped missiles (in reality this figure is 6), whereas a U.S. Air Force bomber can carry 10 missiles (in reality, 20).

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Generally, the military and diplomats convinced the deputies: START II is almost manna as far as Russia is concerned. At any rate, Russia cannot afford forces that the USSR could have hardly maintained. The problem is not so much direct funding but also the industrial and technological base that ended up on the territory of independent CIS republics. When all is said and done, one should also take account of Russia's new geostrategic situation, different foreign policy priorities, and the development of military technology.

Apropos of technology. A number of statements were made in the hearings, each of which, in fact, amounts to a sensation. First, Russia is developing (at the design stage so far) a new submarine missile cruiser. To all appearances, its technological performance will by far eclipse that of the American "Ohio" type subs which form the basis of the U.S. nuclear forces until the year 2020 at the minimum. In other words, Russia plans for more than one day ahead despite the unprecedented cuts in funds for military R&D. Second, a new missile for bombers is being developed which will make it possible to keep them effective also into the start of the next century at small cost. Work is in progress also in other fields.

The deputies' reaction to the reports of military and independent experts and the nature of the questions asked make it possible to claim: the Duma is not only going to ratify START II, but it may also pass a special Russian strategic nuclear forces development program with corresponding funds.

RD-120 Engine To Take Part in Florida Tender

MM2007103195 Moscow IZVESTIYA in Russian 20 Jul 95 p 2

[Report by Sergey Leskov: "Our Rocket Engine Has Gone to America. And Entirely Legally"]

[FBIS Translated Text] A Russian RD-120 rocket engine has been delivered to Florida to the testing center of the Pratt & Whitney firm. This is the first time the border has been crossed by the Russian series-produced rocket engine which operates on the "Zenit" and "Energiya" heavy launchers. The engine has been imported to the United States to take part in a tender for the best power plant for the "American Spaceline" rocket which will put commercial and scientific satellites into low orbits.

This event will arouse two-year old memories of the demonstration for commercial purposes, also in the United States, of the Russian nuclear space power plant "Topaz-2." Then too there was no shortage of delighted expectations of advantageous contracts. But not only was the commercial transaction thwarted, we did not get the engine back from America. Your IZVESTIYA correspondent was told by Boris Katorgin, general designer at the "Energomash" science and production association, that in this case all the licensing formalities have been fulfilled pedantically and if things turn out unsuccessfully the State Department guarantees to return the engine to the Russian side.

According to Karl Krapek [name as transliterated], president of Pratt & Whitney, there are plenty of other participants in the forthcoming tender. This is only the first step to introduce output from the Russian "Energomash" science and production association onto the U.S. commercial market. The United States has adopted a program for the development of fundamentally new launch vehicles to replace the "Space Shuttle" system. So to modernize their launch vehicles the Americans intend to carry out a series of tenders in which they have invited the Russian rocket builders to take part. Pratt and Whitney have already received the second, voluminous, parcel from Russia — a model of the RD-180 engine with which it is planned to equip the Lockheed-Martin "Atlas" heavy rocket. That is a considerably larger and more crucial tender. The Russian booster rocket's main competitor is the U.S. "Delta-3" rocket. The very fact that this competition is taking place is unprecedented and is very flattering for the Russian defense industry. It is curious that one more Russian engine, the NK-33, which one took part in the notorious Soviet lunar program, is expected to take part in the second tender.

The commercial side of the agreements is so far being kept secret. But unofficial sources have told IZVESTIYA that the development up of the first engine for the U.S. program will require about $15 million and the development of the second about $100 million. The U.S. partner is undertaking to finance the program. Boris Katorgin notes that the cost of his series-produced engine is 15 times lower than similar U.S. engines.

This contract is also notable for another reason. it seems that this is the first time it has not been accompanied by imprecations about selling off Russian achievements to foreigners. That attests to a radical change in the approach toward cooperation between Russia and the West in the high-technology field. Specialists know that in Russia today conditions have taken shape whereby the rocket engines with their high specifications remain unused. According to forecasts the situation may change only in four to five years when it is planned actively to use the engines of the "Energomash" science and production association on our own "Zenit" and "Angara" rockets. So the U.S. tenders are no more than normal business. In the end it is international cooperation which helped to create the famous "Aerobus" aircraft which are

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bringing impressive profits to all those taking part in the project.

Government Approves Payments to IAEA Funds

MM2007102095 Moscow ROSSIYSKAYA GAZETA in Russian 20 Jul 95 p 4

[Russian Federation Government Directive No. 923-R signed by V. Chernomyrdin, chairman of the Russian Federation Government, and dated Moscow, 1 July 1995]

[FBIS Translated Text] In fulfillment of the Russian Federation's obligations arising from membership of the International Atomic Energy Agency (IAEA):

1. To accept the Russian Ministry of Atomic Energy proposals coordinated with the Russian Foreign Ministry and the Russian Finance Ministry:

on the payment of the Russian Federation's voluntary contribution to the IAEA Technical Assistance and Cooperation Fund for 1995 of 5.7 billion rubles [R] in national currency;

on the allocation of R1.1 billion in 1995 to finance the national program of scientific and technical support for IAEA guarantees and the fulfillment in the Russian Federation of IAEA measures connected with the implementation of that program.

2. In the second half of 1995 the Russian Ministry of Finance is to allocate to the Russian Ministry of Atomic Energy the federal budget resources necessary for the fulfillment of the Russian Federation's obligations in paragraph 1 of this directive arising from membership of the IAEA.

[Signed] V. Chernomyrdin, chairman of the Russian Federation Government

Joint PRC Commission Begins Border Demarcation

LD2007073395 Moscow ITAR-TASS in English 0715 GMT 20 Jul 95

[By Andrey Fomin]

[FBIS Transcribed Text] CHITA, July 20 (ITAR-TASS) — For the first time neither Moscow nor Beijing, but a Russian regional center has been chosen venue for holding the sixth session of Russo-Chinese commission on the demarcation of the state border. Representatives of the two countries have assembeled in Chita today and will discuss and approve a number of important documents during the next nine days of their joint work, concerning the demarcation of the state-border between Russia and China, in particular, in the land sectors of the Transbaikal and Primorye territories, as well as along the rivers Ussuri and Amur.

"The work in the demarcation commission by representatives of the Eastern Transbaykal is a good example for officials of other territories", leader of the Russian delegation and Russian Foreign Ministry's special envoy Genrikh Kireyev told ITAR-TASS today. "Local authorities are skilfully combining the regional interests with general state ones", he said.

The diplomat noted that quite a good number of problems emerged during the demarcation of the border along the rivers Ussuri and Amur on the Chita sector, just as on other sectors. For example, the Russian island of Menkseli in the river Argun, which has a great economic value for the Transbaykal's residents, will have to be handed over to China after the demarcation. Fortunately, this island did not become an apple of discord at the talks. The Chita administration proposed to the Chinese side to conclude an agreement on joint economic use of the Menkseli, he said.

Genrikh Kireyev gave an extremely negative assessment of actions by certain leaders of the Primorye territory, who denounce the border agreement with China. The envoy is of the view that such a stand taken by residents of the Primorye territory "threatens to disrupt all demarcation work, which will harm Russo-Chinese relations and lead to a reanimation of territorial claims".

Gazprom Aide on Ties With Germans, Share Dealing

MM1907153995 Moscow TRUD in Russian 18 Jul 95 p 5

[Report by Aleksandr Petrov: "Gazprom: Cooperation With German Partners Strengthening"]

[FBIS Translated Text] Saratov — A meeting has taken place in Saratov of managers of the "Gazprom" Russian joint-stock company and representatives of Germany's major gas industry enterprises which discussed the results of joint projects and future paths of mutually advantageous cooperation.

Speaking to journalists, "Gazprom" President R.I. Vyakhirev pointed out that such meetings take place regularly in Russia and Germany. What is more, opportunities for expanding joint activities not only in their own but in neighboring countries, including the CIS states, are under discussion. For example, there is an agreement with Kazakhstan on building major new gas pipelines and repairing existing ones, but the planned work could be speeded up, Rem Ivanovich noted, if the partners from the neighboring republic had a greater interest in it.

Cooperation with the German side on the transportation of gas is developing successfully. Joint investments

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in the construction of gas pipelines and gasholders are in the region of 3 million German marks. Russia receives a third of the revenue, whereas Germany receives two-thirds, because the latter's investments in the joint activities are greater. The work, moreover, is not restricted to the gas industry.

A representative of the German side, Prof. Werner, gave the following example: A joint project to erect a complex for polyethylene production is being executed in No. yy Urengoy. Mutual cooperation is promoting the general recovery of the Russian economy.

During the meeting with journalists questions were raised which were not directly connected with Russian-German economic ties but which are nevertheless of interest to TRUD readers. Trading in "Gazprom" shares has begun in several Russian cities, which is evidence of how highly they are valued. But R.I. Vyakhirev stated that the joint-stock company's management has nothing to do with such transactions — clearly, the "black" market has gotten involved. Also of interest to journalists was the "Gazprom" managers assessment of the sociopolitical movement "Russia Is Our Home." Many people are alert to the fact that enterprise directors and other bosses were the first to join it. Vyakhirev's response was as follows: Economic managers have gone through enough in the present uncertain legal circumstances, therefore they were indeed the first to join this movement whose aim is to put the country back on its feet. They will be followed by the ordinary people too — that is, everyone to whom Russia is dear.

Turkmen, Tajik Presidents Write to Yeltsin

LD2007085595 Moscow ITAR-TASS in English 0838 GMT 20 Jul 95

[FBIS Transcribed Text] MOSCOW July 20 (ITAR-TASS) — Russian President Boris Yeltsin today received a letter from presidents of Turkmenistan and Tajikistan, Saparmurad Niyazov and Emomali Rakhmanov.

The presidents met in Ashgabat on July 19 to discuss the situation on the Tajik-Afghan border and prospects of negotiations between Tajik authorities and the opposition.

The Russian president's press service informed ITAR-TASS that Niyazov and Rakhmanov in their letter stress that there is no alternative to a political solution to Tajikistan's problems and only dialogue can lead to a settlement.

The letter highly appraises Russia's role in the Tajik settlement.

Duma Chairman Receives Belarusian Deputies

MM2007095295 Moscow SELSKAYA ZHIZN in Russian 20 Jul 95 p 3

["Own Information" report: "Ivan Rybkin: Into the Elections With the Agrarians"]

[FBIS Translated Text] State Duma Chairman I.P. Rybkin has received a delegation of deputies from the Agrarian faction in the Belarusian Supreme Council headed by their leader — Semen Sharetskiy, chairman of the republic's Agrarian Party.

The meeting touched on questions of the formation of the parliament's legislative work and the coordination of different and sometimes directly opposed interests. The Belarusian deputies were also interested in Rybkin's position vis-a-vis the forthcoming Duma elections. Stressing his closeness to the Agrarian Party of Russia, the head of the chamber at the same time noted the difficulties which, in his view, exist when shaping a left-of-center bloc.

"The Russian regions," Rybkin believes, need to approach the elections "together with the Agrarians." "In no way should we part company." Only in that event, he stressed "will we be able to gain not 55 seats, but twice as many."

Case for Sevastopol's Russian Status Argued

MM2007093795 Moscow PRAVDA in Russian 19 Jul 95 p 3

[Article by Doctor of Legal Sciences Viktor Vishnyakov, deputy of the Russian Federation State Duma: "Sevastopol Is a Russian City"]

[FBIS Translated Text] The State Duma has decided to petition the Constitutional Court regarding the status of the city of Sevastopol.

I am obliged to return to a long-standing topic: To which state does that "pride and joy of Russian sailors," the Hero-City of Sevastopol, legally belong?

I would remind you that by decree of 9 July 1993 the Russian Federation Supreme Soviet confirmed the city's Russian federal status within the administrative territorial bounds of the urban district [gorodskoy okrug] (including Balaklava) as of December 1991. It was resolved at the time that a Russian Federation draft law enshrining this status within the Russian Federation Constitution be prepared. Two years have elapsed since then, but not an inch of progress has been made....

What was the basis upon which the Russian Federation Supreme Soviet operated when it adopted a decree which caused the discontent of not just the Ukrainian

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authorities but the presidential and government circles of Russia too? I won't delve way back into history — no one contests the fact of Crimea's accession to the Russian empire during the time of Catherine the Great after the victory of Russian arms in the war against Turkey. Nor is it contested that prior to 1954 Crimea Oblast was part of the RSFSR. I will focus attention on another highly material fact: On 29 October 1948 the RSFSR Supreme Soviet Presidium decreed that Sevastopol be separated from Crimea Oblast and turned into an autonomous administrative-economic center with its own special budget and that it be categorized as a city of republic status. And even if you ransack all the Moscow archives from top to bottom, you won't find any decisions revoking the aforementioned decree anywhere. Consequently it remains in force to this day. This means that Sevastopol remains de jure to the present time part of the Russian Federation as legal successor to the territorial rights of the RSFSR. And the fact that the Ukrainian SSR [Soviet Socialist Republic] Constitution of 1977 described Sevastopol for some reason as a city of Ukrainian republic status — the application of Ukraine's jurisdiction to this city was made unilaterally without the adoption of an appropriate decision by the RSFSR constitutional organs of authority — has no significance whatsoever here. And yet international law demands (and this is backed up by the practice of the International Court in The Hague) that any transfer of state sovereignty to a territory be formalized in the shape of an international treaty.

The most complicated legal conflicts arise in connection with the signing on 19 November 1990 of a treaty between Russia and Ukraine under Article 6 of which the parties recognize and respect the territorial integrity of the RSFSR and the Ukrainian SSR within "the current USSR borders." However, counterarguments may also be adduced here. The question of the Russian status of Sevastopol in no way means making territorial claims on Ukraine, as in this instance it is not a matter of claims on territory which belonged to Ukraine within the administrative-territorial borders which existed within the USSR but a matter of legal rights to territory within the administrative-territorial borders of Russia itself during the existence of the Soviet Union. And the fact that the treaty of 19 November 1990, in which the High Contracting Parties (in the shape of the chairmen of the Russian and Ukrainian Supreme Soviets) recognize each other as sovereign states and confirm the borders existing within the Union, means that by Article Six of this treaty Ukraine has also confirmed that in status Sevastopol remains a Russian Federation city.

However, Ukrainian legal experts, loath to acknowledge the obvious, continue their legal inquiries. Here they cite the RSFSR Council of Ministers Decree of 25 April 1968 "On Deeming Certain RSFSR Government Decisions on Questions of State Planning Invalid," where the list of invalidated acts includes the RSFSR Council of Ministers Decree of 29 October 1948 "Questions of the City of Sevastopol." If that is the case, the Ukrainian jurists argue, all acts connected connected with the status of the city become invalid. In actual fact, however, the RSFSR Council of Ministers Decree of 29 April 1968 abolished only the special exceptional procedure for financing Sevastopol during the period of restoring the economy of the European part of the USSR after the Great Patriotic War. By that time the subsidized financing of European Russia and Ukraine had ended and the normal stage of financing the Black Sea Fleet and its main base, Sevastopol, from Defense Ministry funds had begun. This decree, issued by the executive authority, could in no way revoke the RSFSR Supreme Soviet Edict of 29 October 1948. Consequently, (I repeat this once again) Article 77 of the Ukrainian SSR Constitution, which declares Sevastopol a city of republic status within the Ukrainian SSR, remains unlawful and devoid of legal force from the moment of its adoption.

Financial-Industrial Group Set Up With Kazakhstan

MM2007101095 Moscow ROSSIYSKAYA GAZETA in Russian 18 Jul 95 p 6

[Decree No. 688 of the Russian Federation Government "On the 'Interros' Interstate Financial-Industrial Group," dated 10 July 1995, Moscow and signed by V. Chernomyrdin, chairman of the Russian Federation Government]

[FBIS Translated Text] In order to implement the 9 September 1994 agreement between the Russian Federation Government and Republic of Kazakhstan Government on setting up an interstate financial-industrial group and in the interests of developing and deepening economic integration between the Russian Federation and Republic of Kazakhstan the Russian Federation Government decrees that:

1. The establishment of the "Interros" interstate financial-industrial group on the basis of the "Interros" financial-industrial group with the participation of Russian and Kazakhstani enterprises, organizations, and banks in view of the 11 January 1995 recommendations of the Interdepartmental Commission To Promote the Organization of Joint-Stock Industrial Companies and Financial-Industrial Groups is to be approved.

The Russian Federation State Committee on Industrial Policy, in conjunction with interested federal organs and by agreement with the "Interros" financial-industrial

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group, has three months to compile a list of Russian enterprises, organizations, and banks for inclusion in the "Interros" interstate financial-industrial group.

Interested federal organs of executive power are to provide the necessary assistance in forming the "Interros" interstate financial-industrial group.

2 The deepening of cooperation and development of direct links and coproduction between enterprises of the fuel and energy, chemical, metallurgical, and nuclear industries of the Russian Federation and Republic of Kazkahstan are to be regarded as a priority area of activity for the "Interros" interstate financial-industrial group.

3. The Russian Federation Central Bank is to be recommended to authorize as an exception the opening of current ruble accounts in the financial and credit institution of the "Interros" financial-industrial group — the Joint Export and Import Bank — for Republic of Kazakhstan corporate bodies that are members of the "Interros" interstate financial-industrial group without the establishment of their offices or branches on the territory of the Russian Federation.

4. The implementation of this decree is to be supervised by O.N. Soskovets, first deputy chairman of the Russian Federation Government.

[Signed] V. Chernomyrdin, chairman of the Russian Federation Government

Some Restrictions on Georgia Border Lifted

MM2007100895 Moscow ROSSIYSKAYA GAZETA in Russian 20 Jul 95 p 4

[Russian Federation Government Decree "On Lifting Certain Restrictions on the Crossing of the Russian-Georgian Border in Krasnodar Kray Imposed by the Russian Federation Government Decree No. 1394 of 19 December 1994," dated 7 July 1995 and signed by Russian Federation Government Chairman V. Chernomyrdin]

[FBIS Translated Text] The Russian Federation Government decrees:

1. That the Russian Federation Federal Border Service and the Russian Federation State Customs Committee are to allow the following to cross the Russia-Georgia border at the established checkpoints:

Pensioners and women irrespective of age resident on the territory of the Russian Federation or of the Republic of Georgia on condition that they are in possession of identification and residence documents, children under 16 years of age, and citizens of the Russian Federation who own property on the territory of the Republic of Georgia on condition that they have corroborating documents:

Consignments of humanitarian aid, food, and construction materials in transit to Abkhazia in connection with the natural disaster there.

2. The Russian Federation Foreign Ministry is to notify the Republic of Georgia of this decision.

[Signed] V. Chernomyrdin, chairman of the Russian Federation Government

[Dated] Moscow, 7 July 1995, No. 707

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Political Issues

Reportage on Yeltsin Activities From Hospital

Meets Filatov, Grachev

LD1907160895 Moscow INTERFAX in English 1525 GMT 19 Jul 95

[FBIS Transcribed Text] Moscow, July 19 (INTERFAX) — "I can say with good reason that Boris Yeltsin is familiar with all the major events in the country and abroad," Viktor Ilyushin, Russian president's top aide, told an INTERFAX correspondent. Ilyushin visited Yeltsin in Moscow's Central Clinical Hospital Wednesday.

However, he said that the aides believed they had no right to bother the president with secondary issues.

Ilyushin said that on Wednesday Yeltsin held working meetings in the hospital with presidential administration head Sergey Filatov and Foreign Minister Pavel Grachev.

With Filatov he discussed the current activities of the administration, said the top aide.

Besides acute problems faced by the Russian army today, strategic measures to reform the Armed Forces were discussed at the meeting with Grachev.

Ilyushin said that during his today visit to the president, the final schedule of Yeltsin's meetings for this week and a preliminary schedule for the following week were approved.

Taking into account the opinion of the doctors who treat the president, Yeltsin will most likely spend the following week in a health retreat in Moscow region, said Ilyushin.

Meets With Moscow Mayor Luzhkov

LD2007131895 Moscow ITAR-TASS in English 1314 GMT 20 Jul 95

[By Andrey Storkh]

[FBIS Transcribed Text] Moscow July 20 (ITAR-TASS) — Russian President Boris Yeltsin, now undergoing treatment in Moscow's central hospital, today met Moscow mayor Yuriy Luzhkov and his first deputy Vladimir Resin, ITAR-TASS was told by presidential press secretary Sergey Medvedev.

Medvedev said the discussion related to the construction of an underground trade and recreation centre under Manezhnaya Square in the centre of Moscow.

Yeltsin was to visit the construction project together with Luzhkov on the day when he was hospitalized because of an acute episode of ischaemic heart disease.

Medvedev said Luzhkov informed the president about the progress of Moscow's preparation for the winter season.

Luzhkov also recounted his recent visit to Budennovsk and the restoration of its hospital which was heavily damaged during the terrorist raid of the Basayev gang.

It will be recalled that Luzhkov promised to Budennovsk allocations from Moscow's budget for reconstruction and reequipment of the hospital and his personal supervision of this project.

Yeltsin and Luzhkov discussed the progress of reconstruction of the Moscow Kremlin.

Appoints New Internal Troop Commander

LD1907154895 Moscow ITAR-TASS World Service in Russian 1522 GMT 19 Jul 95

[FBIS Translated Text] Moscow, 19 Jul (ITAR-TASS) — Russian President Boris Yeltsin issued an edict today appointing Lieutenant General Anatoliy Aleksandrovich Romanov as Russian deputy interior minister and commander of the Russian Interior Ministry's internal troops, ITAR-TASS learned at the the Russian president's press service. By the same edict Colonel General Anatoliy Sergeyevich Kulikov was relieved of his post of Russian deputy interior minister and commander of the Russian Interior Ministry's internal troops.

Signs 'Number of' Federal Laws

LD1907173795 Moscow ITAR-TASS in English 1645 GMT 19 Jul 95

[FBIS Transcribed Text] Moscow, July 19 (ITAR-TASS) — Russian President Boris Yeltsin has signed a number of federal laws, including the Laws "On Changes and Amendments to the Administrative Code of the Russian Federation," "On Changes and Amendments to the Criminal Code of the Russian Federation," "On Changes and Amendments to the Law On Copyright," "On Changes and Amendments to Article 5 of the Law of the Russian Federation 'On the Basic Principles of Town Planning in the Russian Federation'" and "On Changes and Amendments to Article 4 of the Law of the Russian Federation 'On the Mass Media.'"

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Overturns Duma Law on Rallies

MM2007084095 Moscow ROSSIYSKIYE VESTI in Russian 20 Jul 95 p 1

[Unattributed report under the "President" rubric: "...Rejected"]

[FBIS Translated Text] The federal law "On Meetings, Rallies, Demonstrations, Processions, and Picketing" that was adopted by the State Duma 9 June has been rejected since, in the president's opinion, it does not fully accord with the Russian Federation Constitution and fails to take account of the features of public events held in Moscow.

Reportage on Appointment of Head of Security Service

Radio Reports Yeltsin Decree

LD2007052595 Moscow Radio Rossii Network in Russian 0100 GMT 20 Jul 95

[FBIS Translated Text] President Yeltsin who is undergoing a course of treatment at the Central Clinical Hospital signed several laws on Wednesday [19 July] and sent a number of documents to the parliament and the government.

The president has appointed Lieutenant-General Anatoliy Romanov deputy minister of internal affairs and commander of the internal forces troops of Russia's Ministry of Internal Affairs.

On the same day Boris Yeltsin appointed Colonel-General Mikhail Barsukov head of the Federal Security Service. Before that Barsukov occupied the post of head of the Central Security Directorate.

President's Office Unaware

LD2007071395 Moscow ITAR-TASS World Service in Russian 0645 GMT 20 Jul 95

[By correspondent Andrey Shtorkh]

[FBIS Translated Text] Moscow, 20 Jul (ITAR-TASS) — "Neither the Russian president's office, nor his press office have received any decree appointing Colonel-General Mikhail Barsukov director of the Federal Security Service." That is how the president's press secretary Sergey Medvedev commented, at the request of an ITAR-TASS correspondent, on the information circulated by some media on the appointment of a new leader for the Federal Security Service. He said, Col-Gen Mikhail Barsukov himself was "very surprised" by such rumours.

According to the ITAR-TASS correspondent who has learned it from informed sources, the head of the chief security department found out about his appointment from the telephone conversation with the president's press secretary. According to the same sources, the first aide to the head of state, Viktor Ilyushin, is just as ignorant of the allegedly signed decree. Recently, he has been visiting President Boris Yeltsin at the Central Clinic Hospital every day.

At the same time the name of Col-Gen Mikhail Barsukov has lately figured many times in journalists' forecasts about who would fill the vacancy at the Federal Security Service.

Barsukov Denies Appointment

LD2007105695 Moscow INTERFAX in English 0938 GMT 20 Jul 95

[FBIS Transcribed Text] Moscow, July 20 (INTERFAX) — Chief of the Main Guard Department, Commandant of the Kremlin, Colonel-General Mikhail Barsukov, has denied the information, earlier carried by INTERFAX, about his appointment as FSS [Federal Security Service] chief. In the interview for INTERFAX on Thursday he said that he knew nothing about Yeltsin's decree on the issue.

Photo Mix-Up Blamed on Press Service Negligence

MK2007125295 Moscow MOSKOVSKIY KOMSOMOLETS in Russian 20 Jul 95 p 1

[Report by Natalya Timakova: "The President's T-Shirt. Yeltsin Is Getting Better"]

[FBIS Translated Text] Yesterday's issue offered a contest entitled "Find Three Points of Difference" which invited the readers to find what was different between Yeltsin's picture of three months ago and his recent photo at the Kremlin hospital. The contest was impressively won by the Presidential Press Service which organized a demonstration of sportswear from the head of state's collection. After a TV report the people could finally see their man, who looked quite recovered.

The king is played by his retinue. At least in the majority of countries. In this country, however, the president has to correct the mistakes of his retinue. Presidential Press Secretary Sergey Medvedev said that Boris Nikolayevich's personal photographer Dmitriy Sokolov was supposed to take a picture of Yeltsin Friday. Sergey Konstantinovich himself did not see the shots and relied on the executor.

Dmitriy Sokolov, although his works more often appear under the pseudonym Tanin (presumably after his wife's name), began to work with Yeltsin at the time of the presidential election campaign of 1991. After its successful completion Sokolov became Boris

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Nikolayevich's personal photographer from TASS. He quickly made friends with the bodyguards and became in effect the sole man who photographs the president both in official and informal situations. Moreover, the photos in Yeltsin's book "Presidential Notes" were made by Sokolov.

Such a monopoly could not but annoy other news agencies. As early as in 1992 REUTER even sent a complaint to the presidential press service, saying that Sokolov had so usurped the right to take photos that the presidential security on his request did not allow other photo journalists to approach Yeltsin. In addition, the best photos were filed not through TASS channels but via FRANCE PRESS. Moreover, in REUTER's biting remark, the British could not afford to pay Sokolov SUCH money for SUCH photos. As a result of a subsequent probe, Tanin-Sokolov had to leave the agency for the Presidential Security Service. He thus became a subordinate of the legendary A.V. Korzhakov.

This largely accounts for the emergence of "complex" versions of the recent incident. Some believe that it was an attempt to set up Korzhakov. Maybe it was an attempt to push aside the photographer himself, who had become unamenable. But the most plausible is the simplest explanation: The incident resulted from basic negligence on the part of the press service. The consequences of this mix-up had to be borne by the president, who put on a T-shirt best resembling the one in which the country had seen him in the scandalous photo.

Yeltsin Urged To Begin Transferring Power

MK2007113495 Moscow OBSHCHAYA GAZETA in Russian
No. 29, 20-26 Jul 95 (Signed to press 19 Jul) p 1

[Report by Anatoliy Kostyukov in the "Breakfast on the Grass" column: "The President's Rehabilitation"]

[FBIS Translated Excerpt] On Monday Boris Yeltsin was not released from the hospital and he did not fly to Oslo. This means that the president's state of health is not as good as the Kremlin information officers have made out. [passage omitted]

Last week, if official reports can be trusted, the doctors promised to release him "any day now." Presumably those were not the doctors, but people from the president's staff. Unlike the doctors, they are interested in reducing their boss's course of treatment as much as possible because the protracted "rehabilitation" of the head of state is the kind of medical fact that is hardly without consequences.

Even cured, the president — whatever efforts are take to spruce him up — is now doomed to see his health become the main factor of political intrigue. It is silly to hope that the aspirants to the throne have not used Yeltsin's diagnosis for election agitation purposes. Importantly, this will not look base or boorish on their part.

It is base and boorish to blame a person for falling ill. Even if it is the president — even if he is unloved. But when a sick person, in spite of the general awareness of his afflictions, tries to extend his presidential mandate, this frees his opponents from moral taboos. In this event presidential ailments begin to threaten national security, and then it is the duty of every decent person to avert this threat.

Briefly, the heart attack has in effect put Boris Yeltsin outside the list of favorites in the future presidential race. This will certainly affect the atmosphere in the upper echelons of power.

In Russia, a boss whose subordinates find out that he is going to leave them immediately ceases to be a boss. All lackeys at once start being rude to him, telling him lies and playing dirty tricks on him; everybody disobeys his orders; his table stops being dusted and he is no longer told the good news. Boris Nikolayevich knows this well from his years-long party work and can easily forecast the behavior of his staff.

The smartest ones will begin to run away, looking for a more promising boss. These are the potential carriers of compromising information whose emergency dumping [avariynyy sbros] will not be slow in coming. The less sharp will pester the president with requests for more reliable employment: at best, in embassies or trade missions [abroad], or at worst, in the intelligence department. The most impudent are the most dangerous. They will rally around the weakening leader even closer, and, demonstrating sham loyalty, will try to take as much as they can carry. So one should expect a series of embezzlements in especially large volumes. With the political aktiv being extremely busy with the election campaign, stealing a plant or a trillion [rubles] is no problem.

The sole barrier in the way of a free-for-all can be the government, and, therefore, there is bound to be sharp antagonism between the Kremlin and the White House. The outcome of this standoff is not a subject of guesswork, but in the course of the struggles a mass of outrageous things can happen, not excluding limited bloodshed. Frankly speaking, Boris Yeltsin could not do better than to start handing over his duties without waiting until his constitutional term in office expires or subjecting himself to impeachment procedures. No matter how good the Constitution might be, alas, it cannot resist nature.

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Filatov Addresses Political Issues at Conference

Reiterates Yeltsin in Good Health

LD1907172795 Moscow ITAR-TASS World Service in Russian 1702 GMT 19 Jul 95

[By ITAR-TASS correspondent Lyudmila Aleksandrova]

[FBIS Translated Text] Moscow, 19 Jul (ITAR-TASS) — Boris Yeltsin's health is good, and as usual, he is aware of the situation in the country. This was stated today by Sergey Filatov, head of the president's administration, following a visit to the Central Clinical Hospital. Sergey Filatov answered questions from participants at a conference of the deputies' social and political club, which took place in the Russian parliamentary center.

According to Filatov, the president was a little frightened by the heart attack. Boris Yeltsin is a vibrant person "and there were attempts to return to work immediately, but now he has overcome the belief that he would have to work from hospital for some time, and later maybe from a sanatorium near Moscow."

In the opinion of the head of the presidential administration, the president is fully aware of the situation in the country and keeps the Chechen talks under his control.

Claims Chechen Peace Protocol Near

LD2007103995 Moscow INTERFAX in English 0938 GMT 20 Jul 95

[FBIS Transcribed Text] Moscow, July 20 (INTERFAX) — Head of the presidential administration Sergey Filatov believes that it is necessary to sign a protocol, which the Russian and Chechen parties have coordinated by 99% at the negotiations in Groznyy, as soon as possible. He declared about this on Wednesday evening at the sitting of the deputies club in Moscow.

In his opinion the delegation of Dzhokhar Dudayev's supporters does not sign the protocol waiting for the end of the trial in the Constitutional Court [CC] of the Russian Federation.

"We asked to sign the protocol as soon as possible without waiting for the end of the CC trial," Filatov said. At the same time he expressed the hope that the CC will adopt its decision on the so called "Chechen case" next week.

Filatov believes that after the signing of the protocol at the talks it will be necessary to appoint representative of the Russian president in Chechnya and then to start creating a conciliatory commission which will prepare autumn elections to the representative power bodies in this republic.

The Russian president attentively follows the situation at the talks in Groznyy and it is "under his control," Filatov underlined.

"The issue on Chechnya's status is the key one at the negotiations" that's why the parties "are developing a formula which will help to observe with dignity the Constitution and to correspond to the reality which there exists in the Chechen republic," Filatov explained.

Defends 'Unpopular' Defense Minister

LD1907192095 Moscow ITAR-TASS in English 1914 GMT 19 Jul 95

[By Lyudmila Aleksandrova]

[FBIS Transcribed Text] Moscow, July 19 (ITAR-TASS) — Sergey Filatov, presidential chief of staff, defended unpopular Defence Minister Pavel Grachev on Wednesday saying that his activities in the office cannot lead to a deadlock in the Chechen peace process.

Addressing a conference of the lawmakers' political club which consists of reformists from both houses of the Russian parliament Filatov faced persistent queries from the audience about whether President Boris Yeltsin understands how unpopular his defence minister is.

As Filatov put it, the president "reads newspapers and watches television, but his own analysis (of the situation) prompts him another decision (than Grachev's dismissal)."

Mikhaylov Speaks Prior to Departure to Groznyy

Cites 'Pressure' To Derail Talks

LD1907133895 Moscow INTERFAX in English 1158 GMT 19 Jul 95

[FBIS Transcribed Text] Moscow, July 19 (INTERFAX) — Vyacheslav Mikhaylov, head of the Russian negotiating team in peace talks with Chechen separatists in Groznyy, has said his delegation has come under pressure aimed at derailing the talks.

At a news conference in Moscow on Wednesday, he said "there are some who want to go ahead with the war: population centers are being destroyed while certain forces try to capitalize on this." Mikhaylov made it clear that such forces exist both in Moscow and in Chechnya itself.

As an example, he pointed to the recent killing of seven members of a Chechen family whose bodies were displayed in public in violation of local traditions. Mikhaylov said those who masterminded the crime may have hoped to spark off massive unrest, fuel hatred and provoke bloodshed.

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Mikhaylov warned against any attempts to try to dent the image of the Russian army by accusing it of refusing a peaceful solution to the conflict.

He described Interior Minister Anatoliy Kulikov as being a good politician and diplomat who was respected by Chechen field commanders as well. However, he admitted to cases of lack of discipline among Russian soldiers which cause "a negative reaction from the local population with all implications entailed."

Mikhaylov denied Federation Council Speaker Vladimir Shumeyko's statement that Ingushetia President Ruslan Aushev may take part in a planned regional conference in Sochi as a representative of Checheno-Ingushetia. He described Shumeyko as a man with a political imagination. Mikhaylov called unrealistic any merging of Chechnya and Ingushetia.

Says Yeltsin Backs Chechen Statehood

LD2007081395 Moscow 2x2 Television in Russian 0600 GMT 20 Jul 95

[FBIS Translated Text] In Groznyy today, talks on a peaceful settlement in Chechnya will resume. Prior to his departure from Moscow, Vyacheslav Mikhaylov, the head of the Russian Government delegation, said at a news conference that Chechnya's status remains the only obstacle preventing the signing of the final agreement. Mikhaylov said President Yeltsin supports the definition of the status of that republic which provides Chechnya with the broadest forms of statehood without violating Russia's integrity.

Mikhaylov also said that pressure is being exerted on the members of the Russian delegation in order to disrupt the talks. He said that certain people want the war to continue. He let it be known that such forces exist both in Moscow and Chechnya.

Justice Minister Interviewed on Crime, Budennovsk

MM1907160995 Moscow PRAVDA in Russian 19 Jul 95 pp 1, 3

[Interview with Justice Minister V.A. Kovalev by Valentina Nikiforova; place and date not given: "If Dictatorship Exists, It Is Only the Dictatorship of Law. Dialogue With Russian Federation Justice Minister" — first paragraph is PRAVDA introduction]

[FBIS Translated Text] What is happening in and to the country? Will we spend a long time thrashing about in the dark tunnel and seeking a ray of light so we can escape from the darkness and stop feeling uncertain and helpless? I put these questions to Justice Minister Valentin Alekseyevich Kovalev in the hope that he — a man with a broad outlook and a top-notch professional — would use the example of his department's work to outline at least the landmarks for forward progress.

[Nikiforova] Valentin Alekseyevich, how might you assess the confrontation between the State Duma and the government? Given a different result, could it not have been the start of a change in the reform course, say?

[Kovalev] The situation should not be overdramatized: This kind of situation is a normal phenomenon in the context of separation of powers. Objective criticism is essential, although the government is aware of its mistakes and shortcomings, aware of even more than have been cited from the Duma rostrum.

[Nikiforova] We did not overdramatize things in 1993, yet the situation ended in tragedy.

[Kovalev] It is wrong to draw parallels with 1993 because there was a constitutional crisis then. Now there is not. The situation has developed within a constitutional framework, and that is where we have found a solution. I believe that many of the criticisms are warranted. For instance, I find that criticism helps keep me on the ball and focus on what is important. And I think that the same goes for other members of the government. You must bear in mind something that my deputy colleagues sometimes forget. Let us pose the question in principled terms: Who is accountable for the state of affairs in the country? Of course, it is the president, the Federal Assembly, and the government. The government operates within the parameters laid down by the Federal Assembly, including the State Duma. From my viewpoint, it would be right to raise the following question in the Duma: What parameters has the government violated, what State Duma decisions has it ignored, and what decrees have not been implemented through its fault? But the question was not put like that. Hence the nature of the discussion, during which elements of rational criticism were swamped by a huge layer of purely emotional attitudes.

[Nikiforova] Of course. But as a colleague you could have made suggestions to deputies. You are both a member of the government and a deputy.

[Kovalev] I did suggest that, apart from criticism, a constructive program is a necessary part of any discussion. Any criticism that is not bolstered by constructive proposals is doomed. Indeed, this is borne out by the political experience of the post-perestroyka period: People who came to power atop the wave of indiscriminate criticism without a constructive program seriously rocked the lofty, noble idea of democratization.

[Nikiforova] Sergey Glazyev does have a comprehensive program and there have been hearings on Igor

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Bratishchev's draft law. But the issue clearly lies elsewhere: Is the present government ready to discern the positive elements in the proposed programs?

[Kovalev] Neither of these programs has been adopted by the Duma. There is after all an undoubted difference between a set of ideas — even possibly the most splendid ideas — and a practical action program. The government is ready to cooperate with all political and intellectual forces to extricate the country from crisis.

[Nikiforova] Let us take something that concerns you, namely the fight against crime. This is the number one subject in the State Duma. For 18 months deputies have been trying to erect a shield of laws against crime. But they seemingly cannot escape from the vicious circle — they fail to muster sufficient votes on the essential drafts. What particularly worries you?

[Kovalev] The rise in the number of serious crimes against the person, the increasing professionalism and organization of the criminal world, and official crimes. There have been cases of unlicensed exports of crude oil and diesel fuel. Every month around 1.5 tonnes of drugs are seized in the country, along with around 25 kg of industrial and alluvial gold, around 300 kg of explosives, and 350 firearms. In a month we uncover up to 400 cases of large-scale fraud. A presidential edict of 24 April formed a joint interdepartmental commission for public security and fighting crime and corruption under the Security Council, which I was instructed to head.

[Nikiforova] What does this commission do?

[Kovalev] First, the fight against crime is becoming a factor in national security. Second, there is an acute need to coordinate the actions of law-enforcement organs, primarily the MVD [Ministry of Internal Affairs], the FSB [Federal Security Service], the Prosecutor's Office, the Justice Ministry, the Federal Border Service, the State Customs Committee, and the Tax Police Department. As a number of unsuccessful operations have shown, lack of coordination makes no sense.

[Nikiforova] Which operations?

[Kovalev] You only have to remember the shoot-out between militia and FSB personnel in Moscow and the situation surrounding the release of the hostages in Budennovsk. There are other instances too. On the president's instructions the commission has a right to check out the activity of law-enforcement organs and follow up reports of illegal actions on the part of federal executive officials. We monitor law-enforcement organs' handling of material on corruption and analyze the way in which such material is examined.

[Nikiforova] You have begun restoring order from the top. Have you assumed Extraordinary Commission functions?

[Kovalev] The comparison is wrong. The Extraordinary Commission had the right to carry out investigations and implement punishments. Needless to say, we do not have anything of the sort. But the commission's decisions do have to be carried out by federal organs of power without fail.

[Nikiforova] In short, a system is in operation. There may be successes too. But a man carrying an assault rifle on a main street and a paramilitary detail at the entrance to a city are still no guarantee of the security of citizens and the state.

[Kovalev] We have taken that into consideration. The fight against crime is a task not just for law-enforcement organs but also for the state as a whole. There is no need to prove that crime has moral origins. The polarization of society and the lumpenization of a considerable proportion of the population are factors that constantly generate crime. We are proposing avenues of state action: namely the protection of the population not just by benefits but also the creation of the legal conditions for the pursuit of — to be blunt — honest, socially useful entrepreneurial activity. The second [avenue] involves specialized ventures by law-enforcement organs. The period of democratic romanticism where everything was destroyed is past. Remember how perestroyka began? With an unbridled campaign against the militia. Then came the turn of the KGB and the Army.

Now all this has to be recreated and created. Let me voice an unpopular idea: I personally am not allergic to the abbreviation "KGB." I think that we should have preserved its professional, cadre, scientific and technical, and resource potential. Combating dissent is a futile pastime, but this structure could have effectively countered organized crime, corruption, and terrorism.

[Nikiforova] You mean it could have prepared trials of the century? Who will clear up and punish people for the most "ordinary" of crimes — theft, brawls, murder?

[Kovalev] Expedited judicial proceedings could play a role here. In the West around 90 percent of all crimes are examined expeditiously. This was once the case in Russia too.

[Nikiforova] What does that mean?

[Kovalev] A preliminary inquiry [doznaniye] instead of a full-blown investigation [sledstviye], the sitting of a single judge, and a reduction in the time limit for procedural steps.

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[Nikiforova] Will this high-speed court not become like the courts of the notorious "troykas"?

[Kovalev] No. Speeding up judicial proceedings should not violate citizens' interests. Definite conditions are needed. For instance, simplified investigative and judicial procedures are possible when you have a confession from the defendant and the full range of necessary evidence. In a number of cases that would make it possible to ease the load on detention centers, which in certain cases in our country contain three times the permissible number of inmates stipulated by international standards.

[Nikiforova] Let us take another case, which has become typical in our country, that of disgruntled investors. Can the current law protect them?

[Kovalev] They often gather outside the Ministry of Justice. We could say to them: You knowingly took the risk. Why should the state take responsibility for your economic choice, for your free will? That answer may be formally correct but it is unworthy. In our country the state is responsible for all citizens, including disappointed investors and bankrupt holders of promissory notes. It must create legal conditions whereby safeguards can be created enabling citizens to exercise their economic freedom. In the United States, for instance, the last case of a so-called financial pyramid was recorded late last century. One extremely energetic citizen in Kentucky said: "Give me $1 on Monday and I will give you $2 on Friday." The most staggering thing is that people believed him and, even more surprisingly, he paid what he promised that Friday, the next, and a few after that. And then of course the "business" went bust, criminal proceedings were instituted, and the criminal is, notionally speaking, still being hunted today. A trial was held in absentia. But none of the gullible people were there. In France the last pyramid disappeared in 1935. I am saying this to stress that the state has the manpower and the means to restore order. For instance, henceforth, under the new law, justice organs will keep a register of all corporate entities and register real estate and all legal transactions involving it.

[Nikiforova] Fine, things will be written down and recorded. But who stands to gain?

[Kovalev] When I talk about registration I do not mean the technical act. Registration is just the beginning. It will be followed by special supervisory measures in order to verify: a) a corporate entity's observance of charter provisions; b) compliance with the requirements of Russian Federation legislation. This norm is enshrined in the Civil Code. It is necessary to rapidly adopt a specialized law regarding corporate bodies which accumulate the population's money. We have already ensured that no normative act leaves the government without the justice minister's official stamp.

We register all ministry and department normative acts. The Central Bank was until recently the only exception. We have now managed to broaden the Justice Ministry's supervisory functions, and now Central Bank departmental documents have to be inspected to see that they conform with current legislation.

[Nikiforova] Well, while we are talking about courts. A case can be calmly investigated there for years and no culprit will end up being punished....

[Kovalev] That is all true. We will do our utmost to reinforce the judicial system. Both at the level of resources and at the level of the cadre potential of the corps of judges. The State Duma is now studying several draft laws, including laws relating to judicial executive proceedings and bailiffs Now around 50 percent of court rulings on property-related cases are not being implemented in practice. What is more, a dangerous trend has emerged: The number of civil cases tackled by courts of arbitration is dropping. One of the reasons for this is that the sides prefer to resolve their disputes out of court.

[Nikiforova] Who wants to get tied up in red tape for years? And pay huge fees without being sure of winning the case!

[Kovalev] There is that. But a court is after all not just a cost-based state system, particularly when it is a case of penalties payable to the state budget. There is another side to this. When I became a minister I found that the judicial system received no more than 69 percent of its funds from budget appropriations. We began to set things to rights and won the president's support. Now it has proved possible to raise the level of funding to 96 percent. But there are plenty of problems. Around 20 percent of the posts in general courts are vacant and around 40 percent of the positions for military tribunal judges are unfilled. What about the investigators' workload?! It is only in TV detective shows that one criminal is followed by 10 investigators. In real life one investigator handles 20-30 cases at once. We recently conducted a survey and it turned out that one in three investigators needs medical, psychological, and sometimes even neurological assistance.

[Nikiforova] Valentin Alekseyevich, it is obvious that because of the lack of resources for many sectors, including the law enforcement agencies, the state is being harmed and citizens are suffering. Many things have already been neglected. After all, Chechnya did not erupt by chance. But is the use of the armed forces there justified?

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[Kovalev] This question is being examined by the Constitutional Court. But I believe that sufficient legal grounds for this exist. Both in our constitution and in international law. Separatism is condemned in all UN international legal documents. **In all** of them. It is no wonder that not one state in the world has recognized the independence of the Republic of Ichkeria. At the session of the OSCE Permanent Council in the fall, where I represented Russia, a decision was adopted in which two paragraphs spelt it out clearly. The first says: The solution of the Chechen crisis must take into account the unity and territorial integrity of the Russian Federation. The second says that its solution must respect the Constitution of the Russian Federation. And the country's constitution obliges the president to use all means provided by the law to ensure the country's unity and territorial integrity. **The law on defense** envisages the use of the armed forces to protect the population, territory, and sovereignty of the Russian Federation. **The military doctrine** of the Russian Federation defines the presence of illegal armed formations on the country's territory or in individual regions of it as a source of internal threat, which may be disarmed by means of troops. Finally, **the law on security** gives the president powers to coordinate the activity of the law enforcement agencies and the armed forces to maintain constitutional order in the country.

I have no doubts about the legality of the use of the armed forces on the territory of a Federation component. It is a different matter that separatism should have been combated within the framework of a state of emergency. That is what happens in all the countries of the world. But unfortunately, unlike in other countries, this area of the law is in a rudimentary state in our country and simply does not provide for the kind of situation that developed objectively in the Chechen Republic.

[Nikiforova] Was it a good idea to declare Dudayev a criminal, thus denying him any way of surrendering?

[Kovalev] Let us be precise here: Who accused him of being a criminal and when? As a lawyer I would never use such terms. The principle of presumption of innocence exists in our country and applies to everyone.

[Nikiforova] Even to Shamil Basayev?

[Kovalev] Undoubtedly. Until the court hands down its verdict no one can call anyone a criminal in the legal sense (I am not talking about the political and moral aspects of the question now). But there is another provision too: In each case where the elements of a crime have been discovered criminal proceedings must be instituted and an investigation and other procedural actions must be conducted. Consequently criminal proceedings were immediately instituted regarding the events in Budennovsk on five counts: Article 77-2 — the organization of illegal armed formations and participation in their activity; Article 79 — mass disorders; Article 102 — premeditated murder; Article 126-1 — hostage taking; and Article 213-3 — terrorism.

[Nikiforova] But many people believed Basayev when he said that the attack on Budennovsk was carried out for a "noble" purpose: namely, to end the war in Chechnya.

[Kovalev] I do not believe that. What Basayev carried out was not a political action but an action covered by criminal law. Had he been acting as a political figure with the intention of halting the hostilities by political means he would not have begun the Budennovsk operation by shooting down civilians. I am convinced that when dealing with terrorists you have to use not the language of politics but the language of the Criminal Code. Terrorists cannot be allowed to dictate political decisions to us. I do not believe that the tragedy in Budennovsk spurred the talks on. In my view, those bloody events made the talks significantly more complex. Political talks have their limits: **Terrorists cannot be parties to talks.**

[Nikiforova] In this instance what might the subject of the talks be?

[Kovalev] In the main the organization of elections and the normalization of the situation in the republic. People in the republic have grown tired of war and chaos. The Chechen side has condemned terrorism and has pledged to cooperate in tracking the terrorists down and bringing them to justice.

[Nikiforova] Why have they done that?

[Kovalev] I think that people there have realized that the terrorists have placed themselves not only outside society but also outside the Chechen people. A Chechen man does not hide behind women, least of all pregnant women. He does not gun down peaceful civilians, as happened at the market in Budennovsk. A Chechen would never shoot down an unarmed man, as happened in the hospital.

[Nikiforova] Nevertheless, the distressing blunders in the operation to free the hostages (this is not the first occasion, by the way) show that skilled actions are necessary here more than military orders.

[Kovalev] We should reinstate the special subunits and set up a special antiterrorist center to coordinate all the relevant state structures. I believe that, when necessary, foreign special subunits could be brought in until our subunits have gained sufficient expertise.

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[Nikiforova] But this is not entirely ethical or safe, if you bear in mind that the general situation in the country is not very calm. Confidence in the government is purely hypothetical. Meanwhile the premier is cobbling together his own election bloc. Where is the guarantee that he will not resort to extreme measures against the opposition?

[Kovalev] I see no reason to put the question in those terms. The country's constitution provides sufficient guarantees against any manifestations of authoritarianism.

[Nikiforova] Do you support the "Russia Is Our Home" movement?

[Kovalev] I do not belong to nay political movement. The position of the justice minister — the leader of the agency where all political associations are registered — precludes this. By virtue of my official position, I am obliged to ensure equal conditions for all political movements registered at the Justice Ministry. And I shall do that unswervingly.

[Nikiforova] But you entered the State Duma on the Communist Party list. The communists valued your professionalism. They supported your nomination as deputy chairman of the State Duma. But you, aware that the Communists do not support the government, accepted the post of justice minister. Does that mean that you have severed relations with your comrades?

[Kovalev] I have never had organizational links with the Communist Party because I was not a party member. Consequently I never hid my independent stance in the faction. And I joined the government exclusively in an individual capacity without any claims to represent a party political line there. I have my own ideas about the paths of the country's development and I am guided by them. It is another matter that in the social sphere, for instance, they coincide to a considerable extent with the positions of my Communist comrades. I am against the polarization of poverty and unearned wealth; I am against the lumpenization of a section of the population; and I am opposed to unequal relations between labor and capital. But I am in favor of freedom of entrepreneurial activity for all; I am for the state regulation of economic relations; and I am for firm state power capable of protecting citizens not only against general criminal elements but also against the infringement of their rights by employers and officials. I regard everyone who shares these convictions as my spiritual comrades, which is a bond considerably stronger than party discipline alone.

Chernomyrdin Studies Movement's Draft Platform

LD2007123395 Moscow ITAR-TASS in English 1213 GMT 20 Jul 95

[By Lyudmila Aleksandrova]

[FBIS Transcribed Text] Moscow July 20 (ITAR-TASS) — A congress of the "Russia, Our Home" movement, which was planned to be held between August 29 and September 4, will be held sooner, because the President signed the Decree on setting the date of elections to the State Duma earlier than was expected. The congress is expected to adopt a draft political platform of the movement, which will be discussed next Saturday by participants in the scientific and practical conference of the movement. Now the latest version of the draft platform is being studied by the leader of the movement Viktor Chernomyrdin, Chairman of the Executive Committee of the movement Leonard Vid and member of its Council Aleksandr Shokhin announced at a press conference today.

Leonard Vid stressed again that the movement, led by the Prime Minister, does not identify itself with the Government, and its attitude to the Government is that of "critical solidarity." According to Vid, the movement is not a "party of power" or a "party of senior officials," which follows from the makeup of the steering bodies of the movement in the centre and in provinces: the Council, for example, includes only two members of the Government, not counting Chernomyrdin.

Responding to a question of Tass about the difference between the platform of the movement and the Government programme, Aleksandr Shokhin said that, in the first place, the platform was intended for a longer period of time, specifically, for the whole of the term of office of the State Duma. Second, the platform covers all spheres of activities both of people's deputies, the Government and the local administrations, and includes problems, which have not been a priority for the Government so far, specifically, state building and the cultural revival of Russia. Besides, the platform covers foreign political problems in greater detail. According to Shokhin, the attempt was made to formulate the main principles of a new stage of the economic policy in the socio-economic section of the platform. It can be described as steady economic development on the basis of the accumulation of national capital. This principle does not rule out what the Government is doing now, but relies on the already achieved financial stabilisation, he continued. Shokhin believes that they can already set a number of tasks before their leader, so that the "emerging signs of improvement will be spread not only to the fuel and energy complex and export-oriented industries, but also to other sectors of the national economy."

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According to Shokhin, the need for enhancing the role of the state in the economic process, emphasised in the platform, is one of its main characteristic features. "Market-oriented economy envisages a strong state, while in this country the state withdrew from the economic processes without any special reasons," he said. However, a strong state should be created not on the basis of administrative-command technology, but on the basis of the consolidation of the judicial system.

Leonard Vid said that the movement was continuing consultations on cooperation with representatives of political forces, which are close to it, because "it is clear that we shall not get an absolute majority in the Duma." According to Vid, the movement is ready to cooperate with all the organisations, with which their programme orientations coincide at least by 30-40 per cent. It is only the communists and the Zhirinovskiy party, with whom contacts are absolutely impossible, he added. He expressed regret that they cannot establish proper relations with the Agrarian Party because of the stand, assumed by its leaders. However, they still managed to establish contacts with peasants: on Wednesday most delegates to the congress of the Russian Union of Landowners, which includes the Association of Peasants and Cooperative Workers (AKKOR) and the Peasant Party of Russia, voted for joining the movement as a collective member.

Military & Space Issues

Lebed Supporters Ousted in 14th Army Reorganization

MM1907093295 Moscow KOMSOMOLSKAYA PRAVDA in Russian 19 Jul 95 p 1

[Report by Georgiy Tolstikov under "Topic of Day" rubric: "Swan's [Lebed's] Feathers Fly Over Tiraspol. The Former Commander's Entourage Is Being Discharged From the 14th Army and Transferred With Demotion"]

[FBIS Translated Text] The discharge of disgraced General Aleksandr Lebed has entailed not only the disappearance of White Stork brandy from the commissary of the Defense Ministry building on the Arbat. In the 14th Army itself the consequences of the castling of the "king" and the "bishop" are being felt more seriously. In Tiraspol people are "vanishing" — those who do not fit in with the "orderly system" for reorganizing the Russian Army in the Dniester region. Over 40 percent of the officers and ensigns — those who do not have Russian citizenship, which it is practically impossible for Russian servicemen born in the Dniester region to acquire — are to be discharged. In the final analysis, according to the design of the Russian Ministry of Defense, a limited contingent of troops headed by "reformer" General Valeriy Yevnevich is to remain in the Dniester Moldovan Republic.

The army's new commander, who initially was given an inhospitable welcome by the local population and his future subordinates, employed the policy of the "carrot" in Tiraspol. Valeriy Yevnevich said that none of the army's officers would suffer either in respect of service or materially in the reorganization process. Substantial benefits brought in from Moscow, which previously did not extend to the "remote" garrison, were also guaranteed. Soon, however, as is customary, the "stick" was not slow to appear too.

It started with a "planned" reduction of Tiraspol Military Commandant's Office, whose personnel actively opposed Lebed's discharge, and the 97th Separate Commandant Regiment was transferred to the jurisdiction of Colonel Gultyayev, chief of the army's troop service. The "Kobra" special subunit, which has come under the commandant's office since 1992, was also eliminated.

It is, however, possible to settle scores with unwelcome officers in a different way. Major General Yuriy Popov, who went on hunger strike in protest at Army Commander Lebed's discharge, which was not carried out in accordance with existing laws, declared as long ago as last month that he would not serve under Gen. Yevnevich. Now Popov is having to pay for those words. Instead of entering the General Staff Academy, as promised, he has been ordered to serve in the Transbaykal region. The general can evidently no longer build his career in the military field — his name will remain on the "blacklist" for a long time.

Transporter Launched for Link-Up With Mir Station

LD2007061195 Moscow ITAR-TASS in English 0559 GMT 20 Jul 95

[By Anna Bakina and Viktor Gritsenko]

[FBIS Transcribed Text] Mission Control Centre, July 20 (ITAR-TASS) — Russian Military Space Forces launched a Progress M-28 transport vehicle carried on a Soyuz-U rocket at 7:05 Moscow time [0305 GMT] today.

Progress M-28 brings 2.4 tonnes of fuel, scientific equipment and food to the Mir space station.

After 520 hours of pre-launch preparation, Progress took off from the Gagarin launch-pad of the Baikonur space site.

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The launch was supervised by Colonel-General Vladimir Ivanov, commander of the Russian Military Space Forces.

Progress is to link up with the Mir space station on July 22.

Federal Assembly

Further Reportage, Comment on Premier's Duma Report

Chernomyrdin Clarifies Views

LD1907231095

[FBIS Editorial Report] Moscow Russian Public Television First Channel Network in Russian at 1915 GMT on 19 July broadcasts its regular Versions program, introduced by Sergey Dorenko. The program starts in the State Duma. A very brief summary of Premier Viktor Chernomyrdin's address to the Duma today is followed by brief snips from lobby interviews with various politicians — Russian Vice Premier Yuriy Yarov, Labor Minister Gennadiy Melikyan, Duma deputy Sergey Glazyev, Duma deputy Aleksandr Pochinok, and Finance Minister Vladimir Panskov, who give their views on the current economic situation.

After this introductory sequence, Sergey Dorenko says that, "right after his address the chairman of government clarified certain positions of his economic policy especially for Versions viewers."

An interview with Chernomyrdin is shown in an office with a map of the CIS on the wall. The text of the interview is as follows:

[Dorenko] It seemed from your report that the Government has money. What are your backup resources? Where does this money come from?

[Chernomyrdin] First of all, I must say that it agrees with our calculations. If we recall my first report here, I said that the budget is very tough and stretched. But we reckon that its revenue items will start working, in other words, the economy is beginning to overcome its difficult situation. Of course funds will be available if we stay within the parameters that we have set. It is perhaps too early to say today that we have achieved this, but some signs are already appearing, of course. Can you recall any other instance when a budget was implemented at a level of 95 percent or, to be precise, 94.6 percent? This already is progress.

[Dorenko] There are things which you could not foresee, such as drought.

[Chernomyrdin] Of course; just imagine, the country is in such a poor state and nature is contributing, too, so to speak. Today, 25 percent of the land is suffering from drought. The situation is different is various places, but 25 percent is a serious figure. We are working on it, a commission is working which is determining what should be done and what assistance needs to be given. Of course we have already earmarked funds precisely for this purpose.

[Dorenko] To purchase abroad?

[Chernomyrdin] No, for the time being we are not considering abroad. Overall we have now to decide about fodder problems. Today we have to bring forward a part of the payments which are included in the budget. Everything I am mentioning is within the budget. Before 1 October, 6 trillion out of a total of 8 trillion rubles must be paid back in order to support the rural population precisely now. It is not only this year that we have to worry about, the next year should be considered, too, because we are laying down its foundations now. Of course, the peasants are in a difficult situation, and we have therefore mapped out a whole range of measures. I have already signed the relevant decision, and now we will do everything possible to assist them. Once again, it is very annoying that nature gives us the opposite of what we need, so to speak, but we have to cope.

[Dorenko] What about such things which have traditionally caused a surge in inflation, such as supplies to the north and the purchase of the harvest?

[Chernomyrdin] Yes, I did not even mention everything in my report, but just look; after all, nobody took this aspect into account. Or another thing: we have considerably overfulfilled, so to speak, our share in terms of emergency situations, all the funds that are needed here or there. Look, there is either a drought or an earthquake or yet another earthquake, or heavy rains, like those which hit and damaged a part of Tataria and Bashkiria. This, too, needs compensating, because everything was just washed away there. Ours is a huge country, and naturally all these situations which occur require money. Nobody asks for anything else today.

[Dorenko] But where does this money come from?

[Chernomyrdin] You know where. People must work better: they must fulfil our... not just our, but their own targets. First of all, people should pay their taxes, and if people work and carry out their projects, then money is generated and then there are tax deductions, and then we can support the public sector employees. Of course, we are supporting them now. It would be wrong to say otherwise because we do support them after all. Just look, we have carried out an indexation and other social programs, but this money has to come from the same source. Then, of course, we ought to be economical.

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Tough economy is a vital issue for us. I often say: We must learn to live within our means. We cannot afford everything — naturally, we want lots of things and you see what reforms we are suffering, or rather, implementing.

[Dorenko] You are talking about government expenditure. There are also the budgets of enterprises which have to deal with their staff, pay their wages, and so on. But today a situation has taken shape when workers can say to themselves: Apart from other things, we are voters. If our director is not doing his job properly, we can sort this out later, but Chernomyrdin wants us to vote for Russia Is Our Home, so let us blackmail him, let us demand things from the government as well as from our director. And so people demand planeloads of money — such as was sent to Tolyatti, for example. What about the voters putting some hard pressure on you as the fall approaches?

[Chernomyrdin] Well, perhaps there are ways of putting pressure on Chernomyrdin, and perhaps he has some sensitive places where you can prod him. But somehow I don't think so. First, I know myself and I know that it is useless to try pressuring me. Where things need to be done, I just do them. I am quick on the uptake and there is no need even for a special tone of voice with me. Where things need to be done and they are indispensable, where something urgent has happened, then I am in no need of exhortation, I will act because this is my duty. There is nothing wrong in this. It is not in my nature to flirt with people or bow down to them.

But I must tell you again that today a lot depends on.... [Pauses] I have given you this figure: We have wage arrears of nearly 6.5 trillion rubles in the industrial sector alone, that is in construction and industry. However, in those spheres people should be able to look after themselves. All these arrears result from delays in payments, from poor discipline, from managers not caring about paying on time. I can tell you something else: There are enterprises which have money in their accounts and still do not pay their staff's wages. President Boris Nikolayevich spoke at a government sitting recently and he quoted these examples. How can they be accepted? Is it possible to understand such managers? I am convinced that these things should be discussed openly. Some managers will finally be exposed and I do not think that their staff will bear this sort of thing for long — nothing of the kind.

[Dorenko] The Army and the talks in Chechnya: My colleague, Aleksandr Nevzorov, today said the talks are a betrayal of those who have spilled their blood for the territorial integrity of Russia. After all, the Army's morale.... And so we have been fighting for quite a long time. Suppose there is peace after the fighting and that Dudayev, for example, comes to power. Someone says to himself: I have lost a friend. What for?

[Chernomyrdin] First of all, Dudayev will not come to power. This is out of question. This is just out of question. This is the first thing. Second, to touch such sore points is not a very noble thing to do. This is the second thing. Third, I must tell you about preserving the statehood of the country, of Russia. Who will take credit for this? Is it not the Army? And those lads who are there now and those who died?. Is it not an outcome? No one is betraying anyone and no one will do this. It is a question of averting any further bloodletting. No, I cannot agree with the question. I will not agree with this. Quite a lot is being done now, quite a lot. We are making great, enormous efforts, to stop the bloodshed. But at the same time, I must tell you that we have not given up anything and will never do.

[Dorenko] A compromise. Talks are always a compromise. However, there are points in a compromise where you say an unequivocal no. Where do you draw the line you will never cross?

[Chernomyrdin] I will tell you. We will never give in as far as the statehood and the integrity of Russia are concerned. Never. I refuse to discuss this issue outright. Outright. There are issues where common ground could be found: We must work out how to hold the elections; we may resort to setting some quotas, we may create a coalition government or a directorate. We have to work out how to hold local and republican elections. In short, there is a whole set of problems which need to be sorted out.

There are many people in Chechnya who have been fooled — excuse me for using this word. I must tell you once again that Chechnya is part of Russia. As chairman of the government and a state figure, I have no right to discriminate, as it were. Chechnya is part of Russia. We have to put things in order in Russia, in our home. We will put things in order. This is one of the main issues. It is wrong to play with it and to say someone has betrayed someone. No, no, and no again. We will yet have to bow our heads before these people, before our lads — who incidently understand more than certain people in this building. What have they done, what are they doing? When I hear them, my heart bleeds. When one talks about Russia, about the country, he also talks about his parents, about his family, and about his sister. This question is not simply about inflaming passions and playing on heartstrings. No, no, and no again.

[Dorenko] In order to calm people down, it is necessary to find those who sold the weapons, those who did it all.

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[Chernomyrdin] It will be done.

[Dorenko] For the time being people are preoccupied with the Kukly program [referring to criminal proceedings instigated against the satirical program Kukly], and not with these things.

[Chernomyrdin] Well, what can I say? I wish they would turn to other matters. But I must tell you, there are also other matters apart from Kukly. Generally speaking, I must say there are some questions in stock and we must sort out the question of the weapons. Incidentally, these weapons still crop up every now and again.

[Dorenko] According to some information, the Chechen delegation makes phone calls to Moscow to find out how it should conduct the talks with Moscow.

[Chernomyrdin] Well, you see, even you know this. Can you believe it? Some people say one thing, while others, behind their backs, are babbling about something completely different. I can say now — I have the right to do this, I have every reason to say this — that certain people in Moscow do not wish us to untie these knots as soon as possible. Some people want the fighting to carry on. They are not bothered about blood. It is not them holding the talks. They are very good at putting other people's lives at risk. We will spare no effort. We will not give up anything, never, as I said. We will do our job. I can say once again — and reaffirm it — that we must do everything to avert any further bloodshed. We must do this and we will do.

[Dorenko] The premier continues to personally supervise the Russian delegation at the Groznyy talks. Neither Chernomyrdin nor the Verions program knows the identity of the top-ranking official in Moscow who advises and supervises Dudayev's delegation. Meanwhile, Acting Prosecutor General Ilyushenko is in hot pursuit of the Kukly, forgetting that a man fighting a jester is ridiculous, to say the least. Goodbye.

TRUD Provides Further Details

MM2007090495 Moscow TRUD in Russian 20 Jul 95 p 1

[Report by Igor Ostrovskiy: "Government Chairman Viktor Chernomyrdin Addresses State Duma in a Spirit of 'Cautious Optimism'"]

[FBIS Translated Text] That is quite probably how experts and observers will describe the main ideas voiced by Russian Prime Minister Viktor Chernomyrdin in his address to State Duma deputies 19 July.

What gives the government leader cause to speak with optimism, albeit cautious optimism, about the state of affairs in a country where almost one-third of the population lacks the subsistence minimum? The point is that the government, while it is perfectly well aware of the sad reality of Russian life, nonetheless takes a hopeful view of the immediate future. It was this view that enabled the prime minister to say: **"The socioeconomic situation is acquiring new qualities although it remains very, very complex."**

Speaking about these new qualities, Viktor Stepanovich did not reinvent the wheel, but just articulated fairly clearly something that his deputies and ministers had said previously at countless public meetings and press conferences.

The first cause for joy is the slowdown in the rate of decline of GDP and industrial production.

During the first six months of last year GDP fell by 17 percent while this year it has only fallen 4 percent. Industrial production fell by 24 and 3 percent respectively.

During the period May-July statistics recorded a definite increase in production in certain highly important sectors of the national economy. Thus far more steel than last year is being smelted and far more rolled metal, chemical goods, automobiles, buses, and trucks are being produced.

However, the government believes that the most significant progress has been achieved in the sphere of financial stabilization. This January prices rose by 18 percent, whereas the increase in July is not forecast to top 5.5 percent. The ruble has grown noticeably stronger, for several months in a row the U.S. dollar and other hard currencies have surrendered previously won positions. But the strengthening of the ruble is not an end in itself for the government.

"We must refrain from extremes," V. Chernomyrdin stressed, **"we must support the ruble but at the same time not trip up our exporters, who are now in effect only just beginning to spread their wings and trade on the foreign market. That is why we agreed to the controlled strengthening of the ruble by fixing an exchange rate band. This measure will work directly to slow the increase in prices during the second half of the year and stabilize the money and financial market."**

Viktor Chernomyrdin is convinced that Russia is now able to escape from the vicious circle in which the country's economy has found itself for the past three years — a summer fall in inflation, a fall upsurge or even an explosion, and another dogged fight to bring down the rate of inflation. In the premier's opinion, there will be no room in this fall's calendar for "Black" Tuesdays or any other black days of the week.

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His address to parliamentarians showed that the government realizes that further stabilization is directly linked to an increase in the population's living standard. But everything in that sphere is dangerously exacerbated — in the period between last September and this March Russians' real incomes dropped by almost one-fourth. Hence the fall in demand for essentials, the decline in commodity turnover, and industry's inability to gain momentum.

The prime minister said that additional federal budget revenue, sources of which have already emerged, will be channeled into indexing the wages of budget-funded personnel and servicemen. The government submitted for deputies' consideration a draft law on raising the minimum wage, which is due to be increased by 30 percent 1 August, i.e. to 55,000 rubles [R] per month. At the same time student grants and child benefit are being raised. Rates and salaries of budget-funded personnel will rise by a factor of 1.5; the Category I rate will reach R60,000. The pay of servicemen and that of personnel in the militia and the state authorities will rise by the same proportion.

Provision is being made to raise the minimum pension 1 August. Including compensation, it totals R105,000 per month.

Like the rest of the government, the premier is extremely worried about wage arrears, which topped R6 trillion by early July. The situation here is changing. Defense complex workers, for instance, have been paid R2 trillion in wage arrears for last year. However, the extremely poor payment discipline and mutual nonpayments mean there has been no marked improvement. How could there be when no funding was provided for budget expenditure? During the first quarter budget expenditure was 85 percent funded while during the second it was 95 percent funded. The prime minister believes that there is every opportunity in the second half of the year to fund all budget spending 100 percent.

A low budget deficit, which will be covered by noninflationary means, will be typical of next year, too.

To conclude his speech the prime minister noted that he did not intend to speak about the government's successes nor about a change in the economic situation but merely to say that it had proved possible to stick to the course formulated by the president and the government in a more precise and purposeful manner.

As expected, the discussion of the prime minister's speech was fairly lively and trenchant. Naturally, representatives of parties and political forces in opposition to the government called the shots there.

The speeches by Vladimir Gusev and Aleksey Chernyshov, chairmen of the parliamentary committees on industry, construction, transport, and power generation and on agrarian questions respectively, were fairly restrained and constructive. The former spoke about poor executive discipline, the fact that many adopted laws are not working, and the need for tighter and more effective control by deputies. According to him, major changes are needed in government economic policy as regards increasing the population's income. He considers the planned measures to be patently overdue and inadequate.

The subject of Aleksey Chernyshov's speech was the disparity between the prices of industrial and agricultural commodities, as a result of which 60 percent of rural farms cannot guarantee not only expanded but even simple reproduction. He thinks that the government made a mistake in failing to accept the program for the stabilization of agricultural production proposed by the agrarian faction.

The harshest criticism of the government came from its main opponent — Sergey Glazyev, chairman of the Committee for Economic Policy.

His acutely critical speech culminated in a proposal for a vote of no-confidence in the government. Unlike the prime minister, Glazyev believes that there is not even a whiff of economic and financial stabilization and that none of the top-priority objectives put forward in the president's message to the Federal Assembly has been implemented. Citing the same figures as the premier but providing his own comment, Glazyev tried to show that in the near future Russia can expect a fresh wave of inflation and a decline in production due to the investment crisis.

Most deputies to whom I spoke were fairly considered and objective in their opinions. According to them, far more needs to be done than is currently being done to ensure that stabilization becomes a fait accompli.

Daily Summarizes Remarks

MM1907170395 Moscow ROSSIYSKAYA GAZETA in Russian 20 Jul 95 p 1

[Unattributed account of 19 July State Duma address by Premier Viktor Chernomyrdin: "Viktor Chernomyrdin: We Have Adhered Strictly to the Intended Goals. Yesterday the Russian Head of Government Addressed the State Duma With Information on the Socioeconomic Situation"]

[FBIS Translated Text]**What the Government Regards as Its Assets**

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According to the premier, the volume of GDP fell 4 percent as a whole during the first half-year (if you compare this with last year, the fall during the analogous period was 17 percent). The volume of industrial output fell 3 percent, against 24 percent during the first six months of last year. Moreover, during May and June, for the first time in three years, a growth in industry and a stabilization of GDP were recorded, and this trend is also continuing in July. The increase in prices is slowing up. Thus, whereas in January the increase in consumer prices stood at 18 percent, in July the government expects prices to increase at the level of 5-5.5 percent.

If we look only at the figures that characterize the volume of investments, the conclusion is clear — the slump in this sphere is continuing. At the same time there are also reassuring trends. Above all, the rate of decline of capital investments in production projects has fallen substantially compared with last year — it has almost halved. It is of fundamental importance that for the first time in recent years Russian banks are now venturing to invest money in the most promising sectors of the economy.

Since March of this year the commercial banks' share in the provision of credits and investments has tripled.

House-building is functioning steadily, with an increase of over 14 percent during the first half-year.

The fact that the accepted size of the federal budget deficit is being strictly adhered to is an important, positive point.

"The aforementioned trends put together," the premier continued, addressing the deputies of the lower chamber of parliament, "have resulted in a tangible strengthening of the ruble. During the first half-year the dollar's actual rate of exchange in our country fell by more than one-fourth. This result is of fundamental importance to the country's economy. Some signs of improvement were also apparent in the social sphere in the second quarter, although the situation in this sphere remains complex."

What the Government Has Failed to Do

According to V. Chernomyrdin, it has failed to ensure 100 percent, continuous financing of budget expenditure, primarily because of the late arrival of planned foreign borrowing. In the first quarter state budget expenditure was 83 percent financed, and in the second this figure was around 95 percent.

What Concerns the Government

What particularly concerns the government is the reasons for the slower-than-pre[illegible]d rate of economic revival, Viktor Chernomyrdin stressed. It is clear today that the higher-than-expected rise in prices is the price to be paid for underestimating the actual scale of the dollarization of the economy, he said.

Viktor Chernomyrdin expressed concern in connection with the Russian Central Bank's inability to promptly "limit the rate of growth of the money supply, which significantly exceeded the indicators of the 1995 monetary program. This could have an adverse effect on the dynamics of prices."

The plan, the premier continued, is to implement a range of additional measures to reasonably limit the growth of the money supply, associated primarily with the development of the securities market.

But we must avoid taking extreme steps, the head of government stressed. We must support the ruble, but at the same time we must not make life difficult for our exporters, who are essentially only just starting to get going and to break into foreign markets. That is why we have embarked on a controlled strengthening of the ruble, placing limits on changes in the currency rate, he said. This measure will have a direct impact in terms of slowing down the growth of prices in the second half of this year and stabilizing the market.

How the Government Sees the Future

The prime minister expressed the belief that today Russia is in a position to break out of the vicious circle in which the country's economy has found itself for almost three years in a row: a summer decrease in inflation followed by a surge, or even an explosion in the fall, and again a persistent fight for a reduction in the rate of price increases. I am sure, he stated, that there will be no "black" Tuesdays or other "black" days of the week in the calendar in the fall this year. The government and the Central Bank will continue to have an influence on the vacillations in the currency market rates.

Speaking about the increase in import duties on food and the expected resulting food price increase, the Russian premier noted that this question was surrounded by "a lot of fabrication" and "exaggeration." He confirmed the intention to protect the domestic agricultural producer, but he stressed that the decision on increasing customs import duties must be "considered properly once more."

The need to support the domestic producer, particularly the agricultural producer, must not be forgotten.

We will help the agrarian sector, the premier stressed. A decree is now being prepared on overcoming the consequences of this year's drought, and there will also be other decisions.

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Investment efficiency must be placed at the top of the list today. That is why the government is going to create and develop classic forms of state incentives for capital investment under market conditions. It will seek forms of indirect support for the formation of circulating capital, provide government guarantees, and insure investments.

As V. Chernomyrdin stressed, it is necessary to combine the interests of the budget with investment support for enterprises being privatized.

I think that one solution has already been found. This is the scheme for funding on the security of blocks of shares consolidated in state ownership. This scheme has been elaborated and is starting to be implemented in economic practice.

A list of enterprises being transformed into open joint-stock companies this year has been prepared. A list of enterprises in which state blocks of shares are not available for early sale has been confirmed. There are now over 3,000 of these enterprises, and so it can be considered that the foundation for conducting monetary privatization has been formed. One of the government's main tasks for the second half of the year is to make up for what has been lost here.

The population's savings must be used for the benefit of both individuals and the state. These funds are significant: $20-25 billion, and over 70 trillion rubles. What is it planned to do to use this powerful investment potential?

The premier named several spheres. They are the creation of shared investment-fund institutions, the formation of a system for insuring bank deposits, the development of nonstate pension funds, and an increased issue of federal loan bonds. By fall this year or, to be precise, in September the government will issue a massive savings loan bond [zaym] for the population. This will create a simple and reliable method of protecting the savings of millions of citizens.

Hopeful Outlook Detailed

MM2007082095 Moscow ROSSIYSKIYE VESTI in Russian 20 Jul 95 p 1

[Report by Olga Burkaleva: "Premier Optimistic About Future"]

[FBIS Translated Text] Premier Viktor Chernomyrdin addressed the State Duma 19 July with information on the Russian Federation's socioeconomic position and the results of the Russian Federation Government's work in the first half of 1995. He announced that the revenue side of the federal budget had been 101 percent fulfilled in the first half-year. This was achieved through better collection of tax payments, which exceeded planned estimates by 6.6 trillion rubles [R]. The government's achievements in the first half-year, in Viktor Chernomyrdin's opinion, include the strengthening of the national currency — the Russian ruble. He expressed confidence that there would be no "Black Tuesdays" due to the introduction of the currency band either this fall or in winter 1995. The premier believes the 4 percent increase in the average rate of customs import duty to have been correct. As he put it, under current economic conditions Russian producers need protection. He stressed that the main problem regarding the new import duties relates not to the size of the rates, but primarily to the existing monopolies in food markets in major cities.

Talking about investment in the Russian economy, V. Chernomyrdin noted that it is planned to raise up to R5 trillion this year from private investors alone. The government said that one of the government's most important tasks is to attract the population's savings and accumulations in the form of investment. There is a basis for doing this, as he put it — the population currently holds $20-25 billion and more than R70 trillion. The government plans to increase the minimum wage by 30 percent to R55,000 a month as of 1 August. It is also planned to further increase the minimum pension and all other levels of pension. The premier announced that a package of basic documents on the 1996 budget would be submitted for State Duma deputies' examination by 1 August. The main task of budgetary policy in 1996 should be to bring the budget deficit down to 4 percent of GDP. In that event price growth would be restricted to no more than 2 percent a month. Exclusively market-based methods of borrowing on both the domestic and foreign financial markets will be used to fund the budget.

Party Leaders React

LD1907161195 Moscow INTERFAX in English 1525 GMT 19 Jul 95

[FBIS Transcribed Text] Moscow, July 19 (INTERFAX) — Grigoriy Yavlinskiy, leader of the Yabloko faction in the State Duma, the lower house of the Russian parliament, took the floor during the discussion of the Prime Minister's report on Russia's social and economic situation. He said the absence of a government report on fulfillment of the budget in the first half of 1995 and a forecast for the second half of the year makes one feel "the senselessness of what is going on."

In his words, the Russian government "has long abstained from profound reforms" in every sphere, includ-

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ing property, and abandoned a clear industrial and agrarian policy.

The social and economic situation in Russia shows that the government "has been waging a bloody and unpromising war in Chechnya for six months, but failed to publish school textbooks by September 1," said Yavlinskiy. He is sure that only "the elections can change the situation."

In the opinion of leader of the Women of Russia faction Yekaterina Lakhova, not a single government decision should be "taken without due account of the social consequences."

She noted that poverty has become a common thing in Russia and proposed to "view poverty as a national problem" and take emergency measures to overcome the impoverishment of the Russian population.

According to official statistics, 28% of Russian residents live below the poverty line, including 50% of families with two or more children. "In fact, the number is larger," she said.

Leader of the Liberal-Democratic faction Vladimir Zhirinovskiy proposed ministers "a chance to listen to the clinking of handcuffs if they do not resign in time."

He described the negotiations of Prime Minister Chernomyrdin with gunmen during the Buddenovsk hostage crisis as a "shame." "A police sergeant should have been the top official to speak to them. You must have ordered to execute them all," said Zhirinovskiy.

Representative of the Stability deputy group Viktor Ustinov supported the government policy.

"The government has helped society to improve and become more stable, and not a single state has had such a scale of reforms," he stressed. The deputy supported actions of the Prime Minister made in connection with the Buddenovsk events and said that the Prime Minister had "saved not only the hostages but also the image of Great Russia."

Chairman of the Russia's Choice faction Yegor Gaydar sees government policy as "responsible." "If the government has no principles, the Our Home Is Russia bloc would win the elections, start minting money and pay everyone, and this would affect inflation only in January 1996."

At the same time, Gaydar accused the government of a "lack of systematic work for reforming the state machinery, and a special attitude to some industrial branches." In his opinion, "the export tax for gas should not differ so much from the export tax on oil."

Communist leader Gennadiy Zyuganov praised the fact the two power branches had "met to discuss correction of the reforms." At the same time, he noted that many things suggested by the government now were suggested by the opposition three years ago.

Summing up the discussion results, Chernomyrdin thanked the deputies for their remarks and proposals and promised answers to all written questions by Friday.

Duma Deputies Criticize Reforms

LD1907140195 Moscow INTERFAX in English 1158 GMT 19 Jul 95

[FBIS Transcribed Text] Moscow, July 19 (INTERFAX) — Chairman of the State Duma Security Committee Viktor Ilyukhin (Communist faction) said at the Russian State Duma's sitting today he had "no doubts that the country is perishing as a result of implementing the fatal reform policies of Yeltsin, Gaydar and Chernomyrdin."

Ilyukhin made a co-report within the scope of discussion by the State Duma of the social and economic situation in Russia.

Russian Prime Minister Viktor Chernomyrdin made the basic report on the issue.

Ilyukhin accused the federal executive power of not counteracting the "wide-scale 'alcoholization' of the country." He said an eight-liter level of annual alcohol consumption per person was considered as disastrous by world standards, while in Russia the figure was at present 14-18 liters and tends to constantly rise.

Chairman of the State Duma Labor and Social Support Committee Sergey Kalashnikov (Liberal Democratic Party of Russia faction), who also made a co-report, said he could not understand why the population's real income continued to decrease if, as the government says, industrial output was allegedly growing.

He said, citing the State Statistics Committee, that since the beginning of this year the number of those living in Russia whose income was below the minimum for subsistence had risen by 18% to 44.5 million people.

Chairman of the State Duma Defense Committee Sergey Yushenkov (Russia's Choice faction) said he must speak not about reforming the armed forces, which was not carried out, but just about survival of the army's personnel in light of mass under-feeding of soldiers and officers.

Yushenkov said the situation with the army's food supply was disastrous. He demanded that the government

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hold a special meeting to consider the critical situation in the armed forces resulting from insufficient material and technical supply.

'Optimism' on Economy Derided

MM2007103295 Moscow PRAVDA in Russian 20 Jul 95 p 1

[Article by Valentina Nikiforova: "No Pineapples for Us. Deepening of Reforms: Hitting Rock Bottom"]

[FBIS Translated Text] Yesterday State Duma deputies considered the question "On the Russian Federation's Socioeconomic Policy." Government Chairman Viktor Chernomyrdin delivered a report. Additional reports were delivered by State Duma Committee Chairmen V. Gusev, A. Chernyshev, S. Glazyev, M. Zadornov, S. Burkov, V. Ilyukhin, S. Kalashnikov, and S. Yushenkov. What a parade of ideas it was!

Unfortunately, what we saw yesterday in the State Duma was maybe the first act in a theater of the absurd play. The premier's report exuded optimism: The decline of GDP decreased from 17 percent last year to 4 percent this year, and an increase was even observed in May-June. The ruble is getting stronger and the situation in the social sphere is improving. Yes, yes, yes! Do you hear, teachers, medical personnel, candidates of science? Your life is improving. And pensioners are altogether prospering. "From 1 August we will have a minimum pension of 105,000 rubles [R]," the premier mapped out the contours of a bright future, also promising to increase the minimum wage by 30 percent, in other words to R55,000 [as published]. In short, eat pineapples, hazel hens.... Everything is fine. But maybe the premier is worried about something? Yes. He honestly admitted that the cause for concern is nonpayments and debts in excess of R6 trillion. Evidently this is wage arrears? The premier also dreams of protecting the population's savings, which have built up to $25 billion. There should be clarification as to which population has accumulated them. But even the deputies did not get this chance. Rostov Oblast Deputy I. Bespalov, who despairingly asked how the premier intends to revive industry, specifically the coal industry, because policy is leading to its destruction, was rebuffed by the premier: "Since you know, why are you asking...?"

Commentaries are really superfluous. The premier's speech yesterday finally dispelled hopes that this government is capable of coping with the situation. Glazyev was right when he again raised the question of no confidence in Chernomyrdin's government.

But the premier is no novice at administration. He is an economic manager and should be able to assess the situation at least at the level of a leader of a medium-sized subdivision. Can he understand the alarm over the fact that, given such policies, 20 percent of the population will simply not survive in 1996?

"No, he can't," N. Kharitonov from the agrarian faction said. "The time when he stood next to the president at Vasilyevskiy Spusk has had an effect. By doing that he gave the president an assurance that the president could pursue his policy even to the point of destroying the country. And another unfortunate thing. He sees everything through the eyes of Chubays."

Evidently it is indeed so. In State Duma lobbies Anatoliy Borisovich [Chubays] announced in a recess: The budget has been fulfilled 101 percent in revenue terms and by the end of the year we will also have fulfilled it in expenditure terms.

So in that case where has the money gone? Because shouldn't R9 trillion have been gained from privatization alone?

"Not R9 trillion, only R300 billion has been gained from privatization!" — M. Zadornov, chairman of the State Duma Committee for the Budget, Banks, and Taxes, exclaimed. "And it has mainly gone on repaying our international debt."

There is nothing more to say about the premier's report. But speeches by deputies and committee and faction leaders V. Gusev, S. Glazyev, G. Zyuganov, V. Ilyukhin and others were nonetheless encouraging: A different concept of economic management in Russia was clearly perceptible in their speeches. But this will become possible when sensible people form the government. And when it works under the control of a sensible parliament.

Daily Questions 'Restrained' Tone

MM2007102895 Moscow KRASNAYA ZVEZDA in Russian 20 Jul 95 p 1

[Report by Vladimir Yermolin: "'Socioeconomic Situation in the Country Is Still Complex,' Viktor Chernomyrdin Believes. Duma Agrees"]

[FBIS Translated Text] Viktor Chernomyrdin briefed the State Duma Wednesday 19 July on the socioeconomic situation and the results of the government's work during the first half of the year.

The premier tried to structure his address to deputies as an invitation to dialogue. He said: This is how the situation is developing, let us join together in pondering what to do. He did not irritate the audience with optimistic calculations, noting that the "socioeconomic situation in the country is acquiring new qualities,

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although it is still complex, maybe even very complex, and sometimes contradictory." What new qualities were mentioned? GDP in the first half of the year fell by only 4 percent as opposed to 17 percent during the same period last year, while production fell 3 percent as opposed to 24 percent in 1994, price rises slowed (in January prices rose 18 percent, while in July the figure was 5.5 percent), and the size of the federal budget deficit is being maintained. According to the premier, all this has increased the prestige of the ruble within the country. During the first half-year the real dollar exchange rate dropped by over one-fourth in Russia. It looks as though the gloomiest failures in our economy are associated with the dollar. For instance, Viktor Chernomyrdin thinks that the "rise in prices is the penalty paid for underestimating the real scale of the economy's dollarization."

Naturally, talk also turned to the "exchange rate band" introduced recently. The premier is pinning great hopes on it. According to him, it should result in a slowdown in consumer prices. That is, there is no point in pessimists preparing for a cold, hungry fall. The head of government gave assurances that prices will by no means rocket after the dollar is set free. What is more, 1 August a minimum wage of 55,000 rubles [R] per month is being established for budget-funded personnel, including the military. The government believes that this increase fully matches the 1.21-fold increase in prices in the period May-July. All of us who exist on wages alone are asked to rejoice that "for the first time since the minimum wage was established the increase has exceeded the rise in inflation, and considerably at that — by almost 25 percent."

Thus as of 1 August the government intends to raise the minimum pension to R55,000 and raise compensation payments from R39,360 to R55,000. Viktor Chernomyrdin admitted that social policy toward elderly citizens is still far from ideal. He gave assurances that money to implement the hapless Russian Federation Law "On Veterans" will feature as a separate heading of the 1996 federal budget. If that does indeed happen a host of problems will automatically vanish since on average at present the law on veterans is 40 percent not implemented owing to holdups and lack of coordination with funding, as KRASNAYA ZVEZDA recently reported.

The premier expressed concern at the Central Bank's inability to promptly "limit the rate of growth of the money supply." This is of course a serious problem on a national financial management scale. If a lot of money starts circulating in the country, this will also affect price movements. But an officer in the north, for instance, and his family now have a poor idea of what the money supply is. This year this "supply" has reached them — like hundreds of other servicemen's families — very late, a month or two late, and in some areas even three months in arrears. Regrettably, Viktor Chernomyrdin's speech only briefly touched on the subject of wage arrears. Reproaches were directed at financial organs and they were asked to tighten up financial discipline. But it is hard for people at local level who are told that there is no cash to understand why the money supply still has to be cut back. And at whose expense this is being done. Of course the cause-and-effect link between a reduction in the money supply and wage delays is not that simple. But month after month goes by and people are tormented by lack of money and cannot have a normal vacation, yet there is total silence on the part of the government. No explanations and no improvements. I would not be mistaken if I said that such gloomy ideas invariably come to many of us when we study the government's latest computations. We would like to see a change in our own destiny behind the global figures and "signs of stabilization." The destiny of those who agonize on nuclear ships over lack of money, those who are doing their military duty in fiery Chechnya, those who are trying not to lose their flying skills while saving every liter of fuel, and those who suffer the humiliation of having their gas, water, and power cut off because their troop unit has failed to receive the prescribed payments....

As the premier said, the 1993 [as published] draft federal budget will be submitted to the State Duma in early August. It envisages a budget deficit of no more than 4 percent of GDP and an average monthly price rise of 2 percent. A very reassuring forecast. Right now it is not known what national defense spending will be. But, as Anatoliy Chubays assured us, this spending will represent the same percentage of total spending in 1996 as it did in 1995. It is also highly unlikely that there will be any reduction in the debts owed to the military department for the outgoing year and for last year, 1994, but rather the reverse. The fact that the adoption of the corresponding amendments to the Russian Federation law "On the 1995 Federal Budget" is being inexplicably dragged out indicates the government and Duma attitude to the defense budget. These are amendments which should relieve the army of the burden of expenditure on military operations in Chechnya. Everyone realizes the unfairness of this situation, but they are in no rush to take concrete steps. Neither the Duma nor the government. However, it is obvious that the Army cannot afford to pay for such a costly business as a war. And the ill-starred holdups with pay, the terror imposed by municipal services on debtor troop units, and the other problems facing the military all stem from one thing: The financial policy employed toward the Armed

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Forces is clearly based on the leftover principle. It is unclear from the premier's current address whether there will be any change in this situation.

I repeat, Russian Government head Viktor Chernomoyrdin was extremly restrained when outlining the situation in the national economy. This tone undoubtedly matches the mood of most Russian citizens. But he was at the same time brimming with confidence that the adopted course will put the country on the right track for development. Many deputies traditionally did not believe him. They even contrived to ask questions in a denunciatory manner. However, I think that the idea regarding the need to pool efforts is highly appropriate. Otherwise we will have plenty of pomp and circumstance and a shortage of bread.

Further on Duma Rejection of Paramonova Candidacy

Daily Questions Motives

MK2007091695 Moscow SEGODNYA in Russian 20 Jul 95 p 1

[Commentary by Mikhail Leontyev and report by Svetlana Lolayeva under the "Slips of the Tongue" rubric and general headline: "State Duma — 'Various Proposals Bought Here.' Tatyana Paramonova 'Rejected' in Secret Ballot"]

[FBIS Translated Excerpt] The candidature of Tatyana Paramonova for the position of Central Bank chairman was rejected by the State Duma in a secret ballot. A secret ballot is the only way to conceal the receipt from both competing sides of material remuneration and to avoid the responsibility for using these funds for "nondesignated purposes." I dare to contend that this is the only rational motive for selecting the above procedure of voting on such a question as the confirmation of the Central Bank head. Thus, having insisted on taking a secret ballot, the majority of members of, and the Russian Federation Duma of this convocation as an institution, have made a political choice in favor of selling votes or of conscientious connivance with this mode of actions. The present voting in the Duma has nothing to do with views on the contents of the banking policy, no matter what someone personally thinks about Mrs. Paramonova. [Signed] Mikhail Leontyev

[Passage omitted] All of Tatyana Paramonova's attempts to make the deputies come to like her proved in vain and, generally, useless. The factions had determined beforehand where they stand on her candidacy. The Communists had planned to back her candidacy to a man, the LDPR [Liberal Democratic Party of Russia] had spoken categorically against her, Russia's Choice had decided that each of them would vote as they saw fit, while some deputies of this faction voiced the view, talking with your SEGODNYA correspondent, that they thought it was a good idea at the present time that the Central Bank should be led by an acting chairman, no matter by whom specifically. Yet, the result of the voting was predetermined precisely when the deputies decided on a secret ballot on this matter. This untied the hands of those people's choices who were under some sort of obligation to vote for or against the candidacy of Paramonova.

That such obligations did exist was amusingly confirmed by a "Freudian," as the speaker himself put it, slip of the tongue of Ivan Rybkin who stated that "various proposals are bought here" before he put to a vote the way the Central Bank chairman should be confirmed — by a show of hands, by roll call, or by secret ballot. As a result, Tatyana Paramonova was backed by 167 out of 280 voters, with 100 against and 13 abstentions. The others, perhaps, were out for a smoke.

Curiously, Finance Minister Panskov remained optimistic until the last moment. He told your SEGODNYA correspondent right before the voting that he was confident that the deputies were going to back Paramonova. Responding to a query about the grounds for his confidence, the minister answered somewhat ambiguously: "Because I want it so." However, neither his forecast nor Paramonova's hopes were to be.

To a question on whether she was going to stay on as acting chairman after having been rejected by the Duma, Mrs. Paramonova said, suppressing irritation with difficulty, that all depends on a decision of the president. Officially, the Central Bank has announced it works "in a normal mode." According to First Vice Premier Anatoliy Chubays, the president's reaction may follow as soon as in the coming 24 hours. [passage omitted]

Nominee Wanted 'As Soon As Possible'

LD1907173595 Moscow INTERFAX in English 1550 GMT 19 Jul 95

[FBIS Transcribed Text] Moscow, Jul 19 (INTERFAX) — A new Central Bank of Russia [CBR] chairman has to be nominated as soon as possible, First Deputy Prime Minister Anatoliy Chubays told journalists Wednesday after the rejection of Tatyana Paramonova's nomination by the State Duma, the lower house of the Russian parliament.

Because there will be only two State Duma sessions this week before its summer recess, Chubays did not rule out the possibility that a decision, "whatever it is," will be made within a day.

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He does not expect the rejection of Paramonova, now acting as CBR chairwoman, to cause any "destructive consequences" for the financial situation in the country or tangible variations in the currency market. He believes that the dollar price will be kept within the soft peg specified by the CBR.

He did not rule out the possibility that the president will nominate Paramonova for a third time: This possibility is provided for in the Central Bank Act.

Paramonova Refuses To Resign

LD1907161695 Moscow INTERFAX in English 1525 GMT 19 Jul 95

[FBIS Transcribed Text] Moscow, July 19 (INTERFAX) — The Central Bank of Russia's acting chairwoman, Tatyana Paramonova, told INTERFAX shortly after the vote in the State Duma, the lower house, that she was not going to resign despite the Duma's failing to appoint her as CBR chairwoman.

"I'll continue to work," she said.

Duma Committee: Financial Stabilization 'Has Failed'

LD1907114995 Moscow ITAR-TASS in English 1117 GMT 19 Jul 95

[By Pavel Yerasov]

[FBIS Transcribed Text] Moscow July 19 (ITAR-TASS) — Financial stabilisation, proclaimed by the Government as the chief goal of the economic policy in 1995, has failed, says the State Duma Committee for the Budget, Banks and Finances, which discussed today the results of the first six months of 1995. Inflation was 78 per cent in the first six months, Mikhail Zadornov, chairman of the Committee, said at a press conference, held at the Duma. It is higher than the 1994 figure and twice as high as the Government's forecasts. A high growth rate of money supply shows that a high inflation rate is sure to be preserved for some time to come.

Aside from it, the economic policy was toughened with regard to a number of social groups during the first six months. This manifested itself, in the first place, in the fact that there was no indexation of minimal wages between July 1994 and March 1995, and in the delays with the payment of wages for one or two months in some industries. Thus, in order to attain the unrealistic goal, the Government resorted to unnecessary sacrifices, Zadornov said. Besides, the guidelines recorded in the draft budget for 1996 — a 2 per cent inflation per month — also look unrealistic.

State Duma Votes To Increase Minimum Wage

LD1907151295 Moscow ITAR-TASS in English 1507 GMT 19 Jul 95

[By Ivan Novikov]

[FBIS Transcribed Text] Moscow, July 19 (ITAR-TASS) — The State Duma (lower house of the Russian legislature) passed a law on Wednesday bringing the national minimum wage level to 55 thousand roubles (12.2 US dollars), a 12 thousand rouble increase from the previous figure.

The law takes effect from August 1, provided it is approved by the Federation Council.

Minister Outlines Costs of Chechen Restoration

LD2007110295 Moscow ITAR-TASS in English 1001 GMT 20 Jul 95

[By Ivan Novikov]

[FBIS Transcribed Text] Moscow July 20 (ITAR-TASS) — Restoration of Chechnya's war-battered economy will require 4.5 trillion roubles, or one billion dollars, Russian Finance Minister Vladimir Panskov said in his address to the State Duma today.

Panskov laid out draft laws that would revisit some expenditure sections of the federal 1995 budget.

Panskov informed the legislature that some two trillion roubles had been already diverted for Chechnya's restoration programme.

The minister stressed that the restoration allocations remained within the limits set by the 1995 budget.

Duma Committee Rules Against Retroactive Taxation

MM1907125895 Moscow IZVESTIYA in Russian 18 Jul 95 p 1

[Report by Ivan Zhagel: "When Money Is Needed for Budget, Our Country Will Even Breach the Constitution"]

[FBIS Translated Text] The imposition and retrospective levying of taxes has always been considered a major "sin" for any government and its departments. And if we bear in mind how often this prohibited means is used in this country, we can confidently state that the current generation of officials are unlikely to be able to count on going to "heaven" or even on recognition by their successors.

The latest such instance relates to the attempts by the State Tax Service and the Finance Ministry to levy an

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additional tax on commercial banks not just from the start of this year but for last year as well. Unfortunately, the Central Bank has now joined the campaign as well, although it should be upholding the commercial banks' interests and it is the Central Bank's fault that this scandalous situation has come about in the first place.

The fact is that at the start of last year the Central Bank issued an instruction under which the banks were to set aside money in special reserves to be used to offset potential losses on loans or losses due to a decline in the value of securities held by them. In principle the creation of such reserves should be seen as an entirely sensible measure that is in line with international practice — just as the section of the Central Bank instruction stating that taxes were not to be levied on the sums placed in reserve was in line with international practice.

But subsequently — and clearly as a result of the fact that the budget was short of money — the State Tax Service, the Finance Ministry, and now the Central Bank decided to tax these reserves. And however much the banks protested, rightly pointing out that they had long distributed their profits to their shareholders and no longer had the wherewithal to pay another tax not only from the start of the year but for last year as well, the departments stuck to their guns. But there has now been a new twist to the affair. The Association of Russian Banks appealed to the Duma Budget and Finance Committee to examine the legality of retrospective taxation, and at its latest session the committee ruled in the banks' favor. Its ruling stated, in particular:

"Under the Russian Federation Constitution (Article 57) laws which prescribe new taxes or place taxpayers in a worse position than before cannot be enforced retrospectively." From this we can conclude that subordinate legislation cannot be applied retrospectively either. It goes on to quote the Russian Federation Law "On Taxes on Enterprise and Organization Profits," which states that "when calculating taxable profits, gross profits shall be reduced by the sum set aside for reserve or other similar funds...."

The ruling contains many other arguments against levying an additional tax. These rely on existing legislation, but the fundamental conclusion is that: " ..the commercial banks or the Association of Russian Banks have grounds for appeal to the Court of Arbitration for a ruling that the telegram in question has no force in law." I think that the Finance Ministry and the State Tax Service will now simply get bogged down in judicial hearings and, given the legislative organ's recommendations, the rulings are unlikely to be in their favor.

Duma Adopts 'In Principle' Law on Judicial System

LD2007123795 Moscow ITAR-TASS in English 1218 GMT 20 Jul 95

[By Pavel Kuznetsov]

[FBIS Transcribed Text] Moscow, July 20 (ITAR-TASS) — The State Duma adopted in principle the federal law "On the judicial system of the Russian Federation". The judicial authorities are independent of the legislative and executive branches, according to the new law.

Justice in Russia shall be administered in compliance with the federal constitutional law. The document forbids setting up extraordinary courts.

Courts of law shall act in compliance with the Constitution and independently of anybody's will. Judges, juror and other representatives of people involved in the administration of justice are independent and controlled only by law. The law provides guarantees of their independence.

The participation of jurors and other representatives of people in the administration of justice is a civil duty, the law stresses.

Judges shall be elected on a competitive basis. Their appointment or election shall depend on a favourable decision of a board of judges, the law says.

The powers of a federal judge in the Russian Federation are not confined to a certain period of time. He/she cannot be dismissed. A judge cannot be appointed or elected to another post without his/her consent, the law stresses.

State Duma Adopts Federation Criminal Code

LD1907154195 Moscow ITAR-TASS in English 1510 GMT 19 Jul 95

[By Ivan Novikov]

[FBIS Transcribed Text] Moscow, July 19 (ITAR-TASS) — Before the end of its third session the State Duma has adopted the Criminal Code of the Russian Federation today. This is a legislative act regulating the defense of rights and freedoms of citizens, their property, public order and security. After its adoption by the Duma, it will be submitted to the Federation Council.

The Code establishes principles of the criminal responsibility, determines what actions which are dangerous for a person, society and the state, are considered crimes, and kinds of punishments for them.

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The document contains 352 articles. Many crimes mentioned in them, have appeared in the Russian criminal law for the first time, specifically, genocide, ecocide and mercenary activities.

The Criminal Code also includes such unlawful actions as crimes against the order of management, in other words, the use of violence against representatives of power and illegal crossing of the state border of the Russian Federation, as well as crimes against military service, for example non-obedience to a commander's order.

One of the sections of the Criminal Code envisages a punishment for crimes against state power and the foundations of the state system. This can be, in particular, a high treason, espionage, acts of terrorism and public calls for a violent change of the state system, as well as acts of sabotage and fomenting of national, racial or religious animosity.

Duma Amends Law on Length of Military Service

LD2007105895 Moscow INTERFAX in English 0938 GMT 20 Jul 95

[FBIS Transcribed Text] Moscow, July 20 (INTERFAX) — The young men who undergo military service in the areas of military actions will serve in the Russian Army for one year and a half, not for two years envisaged by the legislation. The corresponding amendment to the law "On Military Duties and Military Service" was adopted by the State Duma on Thursday.

Those Russian citizens, who were conscripted before last June, when the law extending military service to two years went into effect, will also serve in Russia's armed forces for one year and a half.

Deputies also decided to preserve delays for those who have to support a lone parent older than 50, if the parent has no other children.

The deputies voted for each amendment to the law "On Military Duties and Military Service" separately. Subsequently the law was forwarded to the Federation Council.

Council Unable To Override Presidential Veto

LD2007110195 Moscow INTERFAX in English 0938 GMT 20 Jul 95

[FBIS Transcribed Text] Moscow, July 20 (INTERFAX) — At its Thursday sitting the Federation Council failed to override the presidential veto on the federal decree On Guarantees to Ensure Activity of the Federal Assembly Chambers (Federation Council and State Duma).

As many as 87 deputies, under the needed quorum two-thirds or 118 votes, voted to approve the decree adopted by the State Duma on May 26, 1995 and declined by the president.

Addressing the upper chamber deputies, presidential representative, Russia's Deputy Justice Minister Anatoliy Stepanov, declared that the decree does not correspond to the Constitution and "contains a danger of confrontation on the section where there still exits stability, in the sphere of division of authorities between the legislative, executive, and juridical power branches."

In his opinion, while granting the right to the Federal Assembly chambers to invite officials from the state power bodies, local self-rule bodies, enterprises, offices and organizations the decree does not mention representatives of the juridical power which, in line with the Constitution, is an independent power branch and the Federation constituent members which, in accordance with the Constitution, have independent rights.

For his part, advocating the decree, Deputy Chairman of the Federation Council Committee on Federation, Federal Treaty and Regional Policy Pavel Shteyn said that this legal act is extremely necessary because for a long time representatives of the legislative power could not invite several power ministers to themselves for a report, in particular, Russia's' Defense Minister and the Federal Security Service chief due to the events in Chechnya.

Deputies Criticize Court Hearings on Chechnya

LD1907193995 Moscow INTERFAX in English 1859 GMT 19 Jul 95

[FBIS Transcribed Text] Moscow, July 19 (INTERFAX) — Deputies of the Federation Council, the upper house of the Russian parliament, who took part in the Constitutional Court hearings on Chechnya "are not fully satisfied" with the hearings, a deputy told a news conference in Moscow Wednesday.

"We felt a certain tendency [was present] and did not feel fully equal to the president and government's side," Issa Kostoyev, head of the Federation Council Committee on Constitutional Legislation and Legal Issues, told journalists.

Besides Kostoyev, deputy head of the same Committee Yelena Mizulina and Pavel Shteyn, deputy head of the Federation Council Committee on Federation Affairs, Federative Treaty and Regional Policy and coordinator of the group of 49 deputies who submitted the request on Chechnya to the Court, took part in the news conference.

The Constitutional Court failed to satisfy a single request, said Mizulina. As a result, witnesses "were

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not questioned, answers were not received, doubts have remained," she said.

Mizulina noted that no infringements of the procedure had been registered but "the law on the Constitutional Court was written so that it left the sides defenseless against the Court. The judges adhered to the law," but the procedure is defined by the law, she said.

According to Mizulina, the position of the president's side means that "the president can fill gaps in legislation on the basis of political expediency."

Mizulina said she hoped the Court would take a "just decision" and said that she would send her own verdict on the Court's decision to the OSCE Legal Committee, of which she is a member, if the decision granted the president permission "to overstep the limits established by the Constitution."

In addition, Mizulina plans to make her verdict public in Russia.

Regional Affairs

Further Reportage, Commentary on Chechen Talks

Imayev Arrives in Groznyy

LD1907121495 Moscow ITAR-TASS in English 1156 GMT 19 Jul 95

[By Sharip Asuyev]

[FBIS Transcribed Text] GROZNYY July 19 (ITAR-TASS) — Chief Chechen negotiator Usman Imayev has already arrived in Groznyy for peace talks with a Russian delegation which are to resume Thursday [20 July].

Informed sources told TASS that "Imayev arrived this morning to the OSCE mission right from under a medical dropper". [sentence as received]

Peace talks in the OSCE mission in Groznyy adjourned last Friday because Imayev was said to be seriously ill.

The sources told TASS that on Wednesday Imayev participated in consultations with Moscow-backed Chechen authorities represented by deputy chairman of the National accord committee Lecha Magomadov and vice-premier of the National revival government Abdulla Bugayev.

No official statements on the consultations have been issued. However, judging from a recent statement of the head of the National revival government Salambek Khadzhiyev, the talk could have focused on his proposal that the final agreement with Moscow is signed both by representatives of separatist leader Dzhokhar Dudayev and by Moscow-backed authorities.

In the meantime, Dudayev supporters are becoming more active on the eve of the talks. Several dozen Chechen women reappeared at the OSCE mission to shout out anti-Russian slogans.

It is noteworthy that some bodyguards of Imayev and Chechen military chief Aslan Maskhadov are now wearing chevrons of Russian army officers.

In Moscow chief Russian negotiator at Chechen peace talks is sure the final agreement will be signed and stressed that both President Boris Yeltsin and Prime minister Viktor Chernomyrdin stand for a peaceful solution of the crisis.

"The agreement on a peaceful settlement in Chechnya will be signed between the Russian government and the Chechen republic", Mikhaylov told a press conference on Wednesday before leaving for Groznyy.

The strategy of the talks is "to switch from a power solution of the conflict to a peaceful settlement", Mikhaylov said adding that the stance was confirmed during his talks with the President and the premier Tuesday.

Speaking on the key issue of the Chechen status, Mikhaylov said that "four lines" have been added to the agreement. "The four lines which will be enshrined in the already prepared agreement are of principle importance as they have to combine the principles of the integrity of the Russian state and the right of peoples for self-determination", the negotiator said, but did not elaborate on the contents of the four lines.

He added, however, that the final Chechen status is to be fixed after elections in the republic.

Mikhaylov said that the future of Dudayev was not discussed at the talks.

Imayev Reported To Be Ill

LD2007084595 Moscow ITAR-TASS World Service in Russian 0751 GMT 20 Jul 95

[By Sharip Asuyev, Aleksandr Kharchenko, and Oleg Artyushin]

[FBIS Translated Text] Groznyy, 20 Jul (ITAR-TASS) — Usman Imayev, head of Dudayev's delegation at the talks on a peace settlement in Chechnya, will not take part in the talks today, it was stated by members of the Dudayev delegation who have arrived. They said Usman Imayev is again ill and Khozh-Akhmed Yarikhnov [name as transliterated], former head of the department for higher education in Dudayev's government, will head the Dudayev delegation at the talks instead of Imayev today.

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The talks, scheduled for 1000 this morning have not yet (1145) begun. Vyacheslav Mikhaylov, head of the Russian delegation, who has arrived in the OSCE mission building reported that "the stances of the delegations have not changed, essentially two principles have to be reconciled: the integrity of the Russian state and the specifics of the status of the Chechen Republic with various forms of self-determination within the Russian Federation." Arkadiy Volskiy, member of the Russian delegation, also added that there are precedents on the issue of self-determination in a number of republics. He avoided answering a question about the timetable for the signing of a final document on the talks, saying that "much will become clear today."

Mikhail Krasnov, the Russian Federation president's aide and another member of the Russian delegation, said that the Russian delegation "is not expecting it to be drawn out, it may just be a matter of days." "We cannot allow the talks to be used as a screen," he said.

Government Delegation Arrives

LD1907142695 Moscow ITAR-TASS in English 1406 GMT 19 Jul 95

[By Oleg Artyushin and Aleksandr Kharchenko]

[FBIS Transcribed Text] GROZNYY, July 19 (ITAR-TASS) — The Russian government delegation has arrived in Groznyy today to continue the talks on the peace settlement of the conflict in the Chechen republic.

At the airport "Severniy" head of the Russian delegation, Vyacheslav Mikhaylov, told journalists that "the problems of the talks remain the same but hopes for a success, I hope, will be new".

The most important of them is the problem of the status of the Chechen republic. "I will be able to tell you about this more specifically tomorrow in the afternoon after the beginning of a new round of talks," he pointed out.

Mikhail Krasnov, aid to Russian President Boris Yeltsin, noted that "it is not a matter of concessions on the Russian side but a narrow corridor of compromises in which it is possible to speak milder but not sacrifice Russia's sovereignty one iota".

The talks will continue on Thursday, July 20, at 10 a.m. at the mission of the Organization for Security and Cooperation in Europe (OSCE).

Parties Begin Implementing Protocol

LD1907134395 Moscow INTERFAX in English 1158 GMT 19 Jul 95

[FBIS Transcribed Text] MOSCOW, July 19 (INTERFAX) — The conflicting parties in Chechnya have started implementing the protocol on the package of military issues which was signed at the negotiations in Groznyy, leader of the federal delegation, Russia's Nationalities and Regional Policy Minister Vyacheslav Mikhaylov declared to INTERFAX.

In his words, at present experts are working out a mechanism to implement agreements on disarming illegal formations. In Chechnya's populated centers, special groups, with the participation of Elders, for controlling the turning over of arms have begun to be formed.

As Mikhaylov said, the weapons will be put in storage facilities. Then it will be transported to military depots of the federal forces and destroyed.

Currently, organization of explanatory work among Chechnya's population is one of the most important tasks, Mikhaylov said. "We should explain to everybody that those who have laid down their arms will be released of any criminal responsibility," Mikhaylov added.

He said that all political organizations not advocating violence and not stirring up national enmity can take part in the future elections in Chechnya. He pointed out that Dzhokhar Dudayev is being searched for and a criminal proceeding has been instituted against him.

Chechen Sides Consider Merger

LD1907203495 Moscow NTV in Russian 1800 GMT 19 Jul 95

[FBIS Translated Text] The Postfactum agency notes that today Maskhadov, chief of staff of the Chechen forces, came out with quite an unexpected statement. Addressing the participants in the picket outside the OSCE mission in Groznyy, Maskhadov stated that the delegation of Dudayev's representatives and Khadzhiyev's present Groznyy government are seriously considering the possibility of merging to represent a single Chechen side at the talks in Groznyy. Maskhadov expressed the opinion that in that event, the talks would produce the desired results.

Talks in Groznyy Resume

LD2007101095 Moscow ITAR-TASS in English 0948 GMT 20 Jul

[By Sharip Asuyev, Aleksandr Kharchenko, and Oleg Artyushin]

[FBIS Transcribed Text] GROZNYY, July 20 (ITAR-TASS) — Russian-Chechen peace talks in Groznyy began at 12:00 local time with a two-hour delay on Thursday.

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Before the start, chief of staff of the rebel forces Aslan Maskhadov said "We have taken steps to make it possible" commenting on the position of the Russian leadership on the inadmissibility of Chechnya achieving independence of Russia.

Reporters were not permitted into the negotiating room for making photos of the participants. Former chief of the higher education department in the pro-Dudayev government Hoj-Ahmed Yarikhanov [name as received] is the temporary head of the Chechen delegation, instead of ailing Usman Imayev, according to data available.

Talks Break for Lunch

LD2007121995 Moscow ITAR-TASS in English 1208 GMT 20 Jul 95

[By Sharip Asuyev, Alesandr Kharchenko, and Oleg Artyushin]

[FBIS Transcribed Text] GROZNYY July 20 (ITAR-TASS) — The Russian and Chechen negotiators, who continued talks in the Groznyy headquarters of the OSCE [Organization for Security and Cooperation in Europe] at 12:00 Moscow time today, decided to have a lunch break at the negotiating table, reporters were told by Vladimir Zorin, a member of the Russian delegation.

Zorin, first deputy administrator of the Chechnya territorial federal authority, said the negotiators were discussing political issues and looking for a compromise on the key problem of the constitutional status of Chechnya.

He said all participants in the talks showed a readiness for consensual solutions.

Official Doubts Compromise To Be Reached

LD1907183995 Moscow Radiostantsiya Ekho Moskvy in Russian 1800 GMT 19 Jul 95

[FBIS Translated Text] Umar Avturkhanov, head of the Chechen National Reconciliation Committee, has expressed doubts that a compromise can be reached on the future status of Chechnya. The compromise presupposes that the Government of National Rebirth and the Committee of National Reconciliation will exist along with the Dudayev government.

[Begin Avturkhanov recording] The Dudayevites may exist at the same time, maybe, but they should be new people. Or maybe we will additionally introduce them, sort of in addition. But they have only five or six ministers, and as far as I know there is nobody else in the Dudayev government. Dudayev, who heads the government, he is a criminal, and what does that mean — they all are criminals. For the sake of compromise, if they give us a better candidacy, we will introduce them into the government and into the National Reconciliation Committee. We will introduce those people who are not notoriuos figures but normal ones, those who are accepted by the people, and are respected by the people. It cannot be otherwise. We are ready for any compromise. [end recording]

Mikhaylov's News Conference Viewed

MM2007091795 Moscow PRAVDA in Russian 20 Jul 95 p 1

[Report by Nikolay Musiyenko: "Promising an Indulgence"]

[FBIS Translated Text] "The nub of our strategy in Chechnya is to switch from ending the conflict by strong-arm methods to a peaceful, political settlement of it," Vyacheslav Mikhaylov, head of the Russian delegation at the Groznyy talks and Russian minister for nationalities affairs and regional policy, announced at a news conference in Moscow yesterday.

In his opinion, if a delegation at the talks tried to give legal, political, and moral assessments of what is going on, they would grind to a halt. That is why the sides immediately agreed to discuss only those problems which would bring peace closer: a moratorium on combat actions, disarmament — including the possibility of buying up weapons — and the phased withdrawal of troops. This process will be monitored by a special commission consisting of representatives of the elders, the clergy, village headmen, the territorial administration, and, necessarily, the OSCE.

Terrorism was condemned at the talks, Mikhaylov said, and the Chechen representatives promised to help track down and detain those people involved in it. As for the other participants in the conflict, the Russian president intends to issue an edict freeing them from criminal liability.

The stumbling block, in the minister's words, remains the question of the status of the Chechen Republic. Mikhaylov believes that it should be defined after the elections of new organs of power in the republic on the basis of a treaty on the demarcation of powers between them and the federal authorities without violating the Russian Federation's territorial integrity. In addition, Mikhaylov said that "the return home of all citizens resident in the republic before the conflict began" is an essential condition of the legitimacy of the future elections. He also noted that Dzhokhar Dudayev's future was not discussed at the talks.

Immediately after the briefing, V. Mikhaylov flew to Groznyy for the continuation of the talks.

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Elections Will Be Held in Chechnya Next Fall

LD1907194695 Moscow INTERFAX in English 1859 GMT 19 Jul 95

[FBIS Transcribed Text] MOSCOW, July 19 (INTERFAX) — Elections at all levels of power will be held in Chechnya next fall, Dzhokhar Dudayev's man in Moscow Khamad Kurbanov told INTERFAX Wednesday.

Kurbanov said that the elections will be held even if the war is going on in Chechnya. In his view, this will be made possible by the efforts made by the Chechen Republic leaders and people rather than by Russian associations, movements or parties.

Kurbanov believes the talks will ultimately result in peace because war is unnatural for any nation.

He said that about 1,000 Chechens are being held in Moscow and Moscow region prisons under the presidential decree on fighting banditry.

Kurbanov, recently released from a Moscow detention center, hopes to attend the Groznyy talks where the Chechen negotiators will demand the release of these people.

Shirokov To Command Federal Forces in Chechnya

LD1907145795 Moscow Russian Public Television First Channel Network in Russian 1400 GMT 19 Jul 95

[From the "Vremya" newscast]

[FBIS Translated Text] Lieutenant General Anatoliy Shirokov has been entrusted with carrying out the duties of commander of the joint group of federal forces in Chechnya, INTERFAX has been told at the Russian Ministry of Internal Affairs. Anatoliy Shirokov led the troops following the appointment of his predecessor, Anatoliy Kulikov, as minister of internal affairs.

New Commander Presented to Federal Troops

LD2007102895 Moscow INTERFAX in English 0938 GMT 20 Jul 95

[FBIS Transcribed Text] GROZNYY, July 20 (INTERFAX) — Russian Interior Minister Anatoliy Kulikov presented the new interior troop commander, Anatoliy Romanov, to the federal troop command in Chechnya, the command's spokesman has said.

Reliable sources in the Interior Ministry have said Lieutenant-General Romanov is an expert in combat training of crack units and was earlier in charge of security at crucial facilities. Taking part in the Chechen military campaign, Romanov planned and carried out a number of successful operations to clear areas of militants.

Romanov was born in the village of Mikhaylovka, the Belebey district of Bashkortostan. He graduated from the interior troops school in Saratov, the Frunze Academy and the Academy of the General Staff. Romanov has been in military service since 1967. Until recently he was deputy commander of Interior Ministry troops.

Dudayev Estimated To Have 4,500 Active Militants

LD2007104795 Moscow INTERFAX in English 0938 GMT 20 Jul 95

[FBIS Transcribed Text] MOSCOW, July 20 (INTERFAX) — The illegal armed formations in Chechnya currently have as many as 4,500 active fighters. Apart from small arms, they also have 10 tanks, 16 armored personnel vehicles, 12 Grad rocket launchers and eight air-defense installations. This statement was made on Thursday for INTERFAX by a spokesman for the federal forces in Chechnya.

He said that illegal armed formations also have portable air defense complexes both of Russian and foreign make.

According to information from military intelligence, last week, via Dagestan, Dudayev fighters received 10 Stinger air defense complexes. These were believed to have been bought from an Afghan armed grouping.

According to the Russian troop command in Chechnya, Stingers are being delivered to the village of Khasavyurt situated on the border between Dagestan and Chechnya, from where they are distributed among Dudayev detachments.

The spokesman said that the Russian Defense Ministry's units around the villages of Makhkety and Bachi-Yurt were shelled by militants on Wednesday. Troops retaliated.

Chechen Commander Basayev Comments on Buddenovsk

AU1907173695 Prague LIDOVE NOVINY in Czech 18 Jul 95 pp 1, 7

[Interview with Chechen Colonel Shamil Basayev, leader of the commando team that seized Buddenovsk hospital, by "zah" in "Groznyy/Prague"; date not given: "Basayev: Russia Terrorizes Our People"]

[FBIS Translated Text] [LIDOVE NOVINY editorial note] This interview was obtained by the EPICENTRUM agency exclusively for LIDOVE NOVINY. The editorial office does not carry the name of the author for fear of his personal safety. [end editorial note]

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One cannot trust the Kremlin. If the peace talks between the Russians and the Chechens fail through their fault, I will not hesitate to use bacteriological and biological weapons, Shamil Basayev wants Moscow to know. Recently this Chechen colonel became famous as the leader of the commando team that seized the Buddenovsk hospital.

In telephone calls with Russian Prime Minister Viktor Chernomyrdin at the time, Basayev negotiated the start of Chechnya peace talks. Should they not end well, I know what to do, Basayev says today in his headquarters in the mountains of southern Chechnya. Basayev promised to the Russian reporters who managed to meet him that, if necessary, he is ready to go on fighting. "I have radioactive substances and containers with deadly bacteria at my disposal. All that is needed is to blow them up in one of Moscow's streets," a KOMSOMOLSKAYA PRAVDA reporter learned from Basayev.

"The Russians always do something first, and then think about it," Basayev explains his strategy in an interview that he recently granted to LIDOVE NOVINY. "If Russia has terrorized our people for more than six months now, perpetrated a genocide, and called it disarmament of illegal gangs, then operations of the Buddenovsk type are a disarmament of legal gangs."

[EPICENTRUM] Why did you choose precisely the town of Buddenovsk for the subversive operation that forced the Russian side to promise a cease-fire and peace talks?

[Basayev] We wanted to get farther but they stopped us some 15 kilometers past the town. We resorted to the operation because of the cruelty of Russian soldiers. We could no longer fight them normally. They were shelling our villages. They were destroying houses with six-tonne bombs. Under the pretext of attacking military targets, they wrecked schools and hospitals. They excused all of this by the necessity of eliminating the "bandit" Dudayev.

Finally, the people began to fear even us. So, we decided to attempt to put a stop to the genocide, to the Chechen slaughter. We wanted to get to Moscow, to the Kremlin. We have had plenty of chances over the past six months to take the war back to Russia but we did not do it. When there was nothing else left for us to do, we decided to take this step. We had to show the people in Russia that this war is very close by, we wanted them to see what blood looks like, and how it is when people are dying. We wanted them to understand it a bit, to wake up.

[EPICENTRUM] How did you get to Buddenovsk?

[Basayev] We followed the same road the Russians use to transport the spoils of war. We kept saying that we are carrying what we had ransacked in Chechnya, and we bribed soldiers not to look in the trucks. We had three Kamaz trucks and one Lada painted like a police car. Two "sergeants" were sitting in the Lada. We shaved them and dressed similarly to the truck drivers. I myself sat in the cab of the first truck.

[EPICENTRUM] Are you sorry that civilians also died in Buddenovsk?

[Basayev] They were killed by the Russian soldiers, who blame us. Of course I am sorry about it. Allegedly, a total of 123 civilians died. At the same time, however, I feel sorry for the several tens of thousands of children, women, and old men killed in Chechnya.

My cousin's house was hit by two six-tonne bombs in a single day. There were 27 people in the house with only four men among them. Of these 27, 11 people died — six children aged between five months and 12 years, four women, and one 65-year-old man — and another 12 people were injured. There was not a single fighter among them. Later, it was announced that a munitions warehouse was successfully destroyed. This warehouse was, however, about three kilometers away.

[EPICENTRUM] Was this attack aimed against your family?

[Basayev] It took place early in the morning. I wanted to spend the night there but eventually stayed somewhere else.

[EPICENTRUM] Did the massacre of family shake you?

[Basayev] My patience ran out already when I saw air attacks in the mountains against civilians, who had no place to hide. I swore to kill these Russian pilots wherever they may be. In the town of Buddenovsk, we took prisoner many pilots who had fought in Chechnya. We shot six of them.

[EPICENTRUM] What do you expect of the peace talks?

[Basayev] One cannot trust Russia. They always do something first, and think about it only afterwards. Nevertheless, there is a hope.

After six months of war against a gigantic army that uses any means, perhaps with the exception of the atomic bomb, we are tired. The Kremlin would not even hear of talks with our President Dudayev. They only wanted to talk with soldiers. I gave them a chance to talk at least with one of them.

Buddenovsk was not a terrorist action. It was a sabotage, a subversive operation. If Russia has terrorized

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our people for more than six months now, perpetrated a genocide, and called it disarmament of illegal gangs, then operations of the Buddenovsk type are a disarmament of legal gangs.

[EPICENTRUM] Of course, it did not help much the image of Chechens in the world....

[Basayev] It is not of such an importance whether Russia or the world community recognize us. We have never been a part of Russia. They won over us 137 years ago, but it has never broken us down. It ended up the same way 74 years ago. The current war again is a war between two states.

[EPICENTRUM] Did you believe that you would return from Buddenovsk?

[Basayev] We did not think about death. That is in the hands of the Almighty. Nonetheless, we had not planned our return either. We all wanted either to die or to stop the war. Our motto was the dictum of one entire Chechen generation: Freedom or death. We keep holding onto it.

[EPICENTRUM] Do you feel like a modern Imam Shamil, who led the Chechen resistance against Russia in the last century?

[Basayev] My name is Shamil but I am a different Shamil. Nevertheless, I was given his name, and I honor his memory.

[EPICENTRUM] Were you surprised when Chernomyrdin talked to you during the operation in Buddenovsk?

[Basayev] At first, yes. We did not believe there was a thinking person in the Russian cabinet. I was even more surprised, however, by the then Interior Minister Yerin — I have never met a dumber person.

Russia will soon disintegrate. Nothing works there. I spoke with the prime minister five times on the phone. We kept being interrupted and some music played into the earpiece. All the time, we had to shout and assure each other that we were still on the line. The whole of Russia is in such a shape.

[EPICENTRUM] Did President Dudayev know about the operation beforehand?

[Basayev] I have not been in contact with him since mid-May. Neither he nor General Maskhadov, Chechen army chief of staff, knew anything. We prepared everything on our own within a week. There were 147 people with me. A group of 63 men set off ahead of us.

[EPICENTRUM] Were most of your fellow warriors from the Vedeno community?

[Basayev] No, I have men from the entire Chechnya, and also volunteers — two Russians, a Byelorussian, and a Kazakh. As a matter of fact, even two Russian POWs switched over to our side. The common Russian soldiers are fleeing because they are tormented by their commanders and mercenaries. They live here with my men. They eat and sleep together with us. They do everything together. I cannot show them to you, however, because they intend eventually to return to Russia and live there in peace.

I lost 16 men in Buddenovsk. They are all buried in Zondak.

[EPICENTRUM] Was it important to bury them in Chechnya?

[Basayev] Yes and no. The body is dust and can lie anywhere. The soul is important. Of course, it played its role.

[EPICENTRUM] How many Russian soldiers fell in Buddenovsk?

[Basayev] It was 114 on the day of the attack, and five to six every subsequent day. During the first attack, the Russians also killed 70 civilians. The greatest crime in Buddenovsk was the Russian attack against the hospital building. They took over only the facilities from which we had withdrawn. Only the seriously ill remained there.

The Russians had absolutely no plan or strategy. They did not know what they were doing. The then Interior Minister Yerin is responsible for this wanton destruction, and he blames us. That is, however, always the case.

[EPICENTRUM] How is it with your possible amnesty?

[Basayev] I have no idea, and it does not interest me. I would rather like to know about the amnesty for the Russian Government. It needs it more than we do.

[EPICENTRUM] Will you accept the results of the talks?

[Basayev] If it will be in the interest of the Chechen people, yes.

[EPICENTRUM] What do you want to do after the war?

[Basayev] My original profession is something like an agricultural engineer-environmentalist. Until 1991, I studied in Moscow; then I returned to Chechnya, and since that time I have been in the army. At first I was assigned to special units, then I became battalion commander.

(At this moment in the interview, the Russian Army launched a bomb attack on the south Chechen mountains)

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So this is the cease-fire. Tomorrow, they will declare that we violated the truce. It is falling about one to two kilometers from us.

[EPICENTRUM] How far are the nearest Russian positions?

[Basayev] Eight kilometers. They shell a crossing near the village. They do it every night, and occasionally in the daytime.

[EPICENTRUM] Do you return fire?

[Basayev] No, but if it continues, we will return fire later today.

[EPICENTRUM] How?

[Basayev] Efficiently.

[EPICENTRUM] Do you have family?

[Basayev] I have no news of them. I have a one-year-old son. He has seen weapons since he was three months old. I want to fight to the very end now, so he does not have to when he grows up. My ancestors did not manage to get freedom for me; if I manage to get freedom for him, he will never have to wage a war.

I am thinking of all children. A 15-year-old boy went with us to Buddenovsk — he has been with us since January. Twelve-year-old children fought in Groznyy. I never managed to talk them out of it. Many of them died there. They were going for arms to places we were afraid to go. I wish that they could live a normal life.

[EPICENTRUM] Do you have any news about the fate of the U.S. humanitarian worker Fred Cuny, who disappeared in Chechnya last spring? Could he be on the Chechen side?

[Basayev] I do not have any such news, and I do not believe he is on the Chechen side. He helped us enough, why should we hold him here? I met him myself last winter. He is a good man. The Russians do not need people like him. We do. I tried to find him. Moreover, I would like to help in the search for him even now.

[EPICENTRUM] What is your relation to Sergey Kovalev?

[Basayev] He is a brave man. He is ashamed of what is happening in Russia. And he is not afraid. It may be hard to believe, but when I was sitting in the hospital in Buddenovsk watching Yeltsin's address in Halifax, I was ashamed, too. A furious peasant that does not know anything but vodka. I was ashamed for Russia.

I was in Moscow in 1991, when the coup against Gorbachev was being decided. I bought two hand grenades from a friend, put them in a shopping bag, and went to defend Yeltsin. If I were in Moscow during the second coup in 1993, I would have bought grenades again, but this time to use against Yeltsin. I would have defended the parliament.

[EPICENTRUM] How do you get your weapons?

[Basayev] Without any problems. This war is completely built on pillaging and bribing. Russian mercenaries are former criminals. We cultivate marijuana, manufacture vodka, and barter with them for arms. They call the prices. Vodka always is the hardest currency.

[EPICENTRUM] What weapons do you purchase?

[Basayev] Any we can afford.

[EPICENTRUM] Only light arms?

[Basayev] Why? One can buy anything here. Two days ago, for instance, I got a missile for the GRAD [launcher] for 100,000 rubles (approximately $20). We also have two tanks we captured in battle. At first we did not have any ammunition for them, but now we have enough. These are my personal trophies. They offered us a tank for $5,000 but that is not a good deal. An armored personnel carrier can be purchased for $1,000.

[EPICENTRUM] How many volunteers from the world of Islam fight on your side?

[Basayev] I am not aware of anyone from either Iran or Azerbaijan. There are some 15 people from Arab countries here but seven of them are Chechens who live there. There are also two Germans fighting on our side and, as I mentioned earlier, several Russians and Ukrainians — there used to be also 15 but there are only three left. Furthermore, there are people here from the entire Caucasus — Kabardinians, Circassians, not to mention the Ingush.

Iran and Turkey are afraid of Russia. They do not send us arms. The Turks originally acted as if they would help us but then began to fight the Kurds. Iran is working on the nuclear bomb, and so they needs to cooperate with Russia. Nonetheless, we do not need their help.

[EPICENTRUM] During the Abkhazian-Georgian war, you fought on the Abkhazian side. What happened to your so-called Abkhazian regiment?

[Basayev] The Russian played on both sides in Abkhazia. Approximately 260 of us came in there in the first wave. A total of 56 Chechens lost their lives there. Some warriors from Abkhazia still are with me today but many of them fell here in Chechnya. My best sniper, for instance, lost his life in Buddenovsk. A few of us are, however, still together.

[EPICENTRUM] Did you also say in Abkhazia: "Freedom or death"?

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[Basayev] There are few Abkhazians and plenty of Georgians. We went to help the weaker.

(The shelling stopped.)

So, we will see whether this is it for today. Over the past two years, I was injured six times. My last injury was in Buddenovsk. Do you think I am happy about it? I, too, would like to start living a normal life again.

Further on Chechen 'Influx' into Altay

MM1907143295 Moscow KRASNAYA ZVEZDA in Russian 19 Jul 95 p 2

[Report by ITAR-TASS correspondent Valentin Pavlov under the "Regional News" rubric: "Have the Waves of the 'Chechen Storm' Reached Altay?"]

[FBIS Translated Text] Barnaul — The need to strengthen the protection of Altay Kray's vital installations was expressed at a conference with Lev Korshunov, head of the Kray Administration. As has been noted at the Altay Kray Internal Affairs Administration, this question is rated among the most urgent because of the increased influx of people of Chechen ethnic origin into the kray's territory, especially in the region on the border with Kazakhstan, and this is causing alarm among local inhabitants. It was stressed that the protection of a number of installations must be stepped up. They include hydroengineering installations, enterprises, and establishments in Biysk and Barnaul. Note was also taken of the increased number of telephone threats to blow up hospitals, the television and radio center, and even the Kray Administration building.

Former Vice Premier Yegorov Comments on Chechnya

MM1907130695 Moscow IZVESTIYA in Russian 19 Jul 95 p 2

[By Andrey Aderekhin: "Former Nationalities Minister Ready To Take Up Arms"]

[FBIS Translated Text] Krasnodar — It has become clear from an interview published by the newspaper VOLNAYA KUBAN that the ex-vice premier and ex-minister for nationalities and regional policy's position on Chechnya remains the same. Yegorov describes his disagreement with the policy on Chechnya pursued by the federal leadership as one of the reasons why he submitted his resignation. The leadership is displaying lack of resolution here, in his opinion: "I was and am committed to the view that we used every method to try to solve the Chechen problem. And there remained one option, that option being military intervention," Yegorov said. He regards the talks between the Russian and Chechen sides as absolutely futile. "Look at what is happening," the ex-vice premier said. "We let Basayev leave Buddenovsk unpunished. We thereby encouraged terrorism. We sacrificed three ministers, one deputy chairman of the government, and the deputy administrator of the kray. We have given Dudayev's men the chance to regroup, rearm, bring themselves up to strength, and restore coordination and the chance to infiltrate strategically important centers, to concentrate their forces, and to launch an attack. I am almost certain that this will happen in the very near future. We suffered humiliation by letting the terrorists go."

In Yegorov's opinion, the gang must be completely wiped out, with no stopping this time: "The more stops and moratoriums there are, the more casualties you get," the ex-minister for nationalities remarked. Yegorov reported that he himself is ready to take part in wiping out the gang. The former deputy chairman of the government has no intention of retiring on pension and sees the conclusion of a contract enabling him to go to Chechnya as a Russian officer as a way of continuing his activity.

Yegorov holds the rank of colonel and will, he reports, shortly be having a meeting with the defense minister at which he will ask for a contract. The fact that Yegorov still remains chairman of the Council for Cossack Affairs looks pretty dangerous in the light of the former vice premier's bellicose approach. "We have prepared a whole package of documents," Yegorov said. The president now has five edicts on the Cossack community awaiting his signature."

At present the Cossack community operates as a public organization. However, in Yegorov's opinion, this cannot be allowed to continue. The Cossack community is greater and more significant than that — it is capable of tackling state tasks," Yegorov stated.

Cossacks Prepare for State, Presidential Elections

LD2007092495 Moscow ITAR-TASS in English 0853 GMT 20 Jul 95

[By Nikolay Styazhkin]

[FBIS Transcribed Text] STAVROPOL, July 20 (ITAR-TASS) — Contest for seats in the State Duma and presidential elections is a short-term political priority of Cossacks, says a resolution passed by the ataman (elders) council of the Stavropol territorial Cossack army.

Cossacks, or paramilitary community originating in imperial Russia, are to come up soon with an electioneering programme whose key slates will be Russia, the Russian people and social guarantees, ITAR-TASS was

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told by Viktor Sharkov, ataman of the Stavropol territorial Cossack army.

Sharkov said Cossacks had lost much because of divisive stances and failure to nominate their candidates in Russia's previous elections.

Representation in federal and regional power structures would activate the drive for revival of Cossack spiritual, economic and cultural traditions, Sharkov said.

Stavropol territorial Cossack divisions are to present to the army's ideology department lists of candidates for local legislative and executive bodies.

The resolution says Cossacks should immediately begin pre-election consultations with leaders of Russia's patriotic movements.

The ataman council stressed that Cossack success in the elections depends on early joining the pre-election race.

Privatization of Regional Enterprises Growing

954E1169A Moscow KOMMERSANT DAILY in Russian 28 Jun 95 p 10

[Article by Oksana Lysak: "Summer — The Time of Portfolio Investors"]

[FBIS Translated Text] The past week brought several welcome announcements for portfolio investors. Moscow will soon see the sale at auction of a rather large number of shares in RAO "YeES Rossii" on very favorable terms. The Property Management Committee of Taymyr Autonomous Okrug has announced that it will auction off shares in RAO "Norilskiy nikel," and shares in AO "Orenburgneft" will be sold in Tyumen Oblast.

However, manufacturing investors will not be left out, either. For example, an auction in Kirov Oblast will offer shares in the very large Vyatich Brewery. As for the traditional topic of these overviews, i.e. bankruptcies, we also report on the first trial of a case of insolvency on the part of a privatized enterprise in Chuvashia's court of arbitration. Large Block of RAO "YeES" Shares Offered at Auction

As reported by the Moscow City Property Fund last week, a public cash auction will be held on 18 July 1995 to sell shares in RAO "YeES Rossii" for rubles. It should be noted that over the past six months the Moscow Property Fund has conducted several auctions in an effort to sell shares in Russia's largest electric power company. However, it appears that the upcoming auction will be of particular interest to investors.

To be auctioned are 1.33 percent of the company's authorized capital — the first time that the company has offered such a large number of shares at a cash auction. The shares are being offered in 14 blocks ranging in size from 0.01 percent to 0.53 percent of authorized capital.

The most interesting thing is that the starting price of the shares has been set quite low, at just 30,000 rubles [R], even though their current price is approximately R45,000. Bear in mind that under law the announcement that an auction is to be held must be published no later than 30 days prior to the last date applications to participate in the auction will be accepted. This announcement must contain a starting price for the shares that cannot subsequently be changed. However, even at the time the announcement was being prepared the market price of RAO "YeES" securities was slightly below R40,000.

Perhaps in setting a low starting price the property fund was assuming that by 18 July (the date of the auction) the value of the company's shares would have gone down again. However, over the past month the value of RAO "YeES" shares has actually risen steadily, from R32,000 to R45,000. Furthermore, this upward trend is likely to last for a fairly long time — the market overall is currently on the upswing, a result of greater activity by Western investors. KOMMERSANT DAILY experts believe that there is a possibility of serious competition between investors and thus the chance that the sale price of the shares could substantially exceed the initial asking price. Incidentally, to some extent such a low starting price is justified — the sale of such a large number of shares at one time could have a negative effect on their market position, because investors' solvent demand could be satisfied by a significantly smaller number of securities.

The First Bankruptcy in Chuvashia...

Chuvashia's Supreme Court of Arbitration has heard its first bankruptcy cases. The regional agency of the Federal Bankruptcy Administration filed suit alleging insolvency on the part of AO "Shveynaya fabrika." The court imposed external management on the enterprise and placed a moratorium on its debts for one-and-a-half years. The amount owed by the company to the Chuvash branch of the Russian Pension Fund alone totals R400 million, which is only R80 million less than its total fixed stock.

The company's employees have not been paid since October 1994. In the opinion of representatives of the company's management, the main reason for its bankruptcy was excessively high interest rates on loans the company was forced to take out to increase its operating capital. However, they also stated that the factory has a chance at refinancing its operations and

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has found suppliers who have agreed to provide raw materials on credit, as well as solvent buyers for the finished product.

...and the Thirtieth in Perm Oblast

A commission of the Perm Regional Agency for Insolvency Matters (Bankruptcy) has found the Krasnokamsk Combined Fodder Plant insolvent. At the present time the enterprise's debts total approximately R7.0 billion. Of that amount, R4.5 billion are owed to the Permkhleboprodukt Association for grain deliveries.

In view of this the decision was made to implement forced privatization of the enterprise. The agency has appointed a new plant manager, who has been instructed to draw up a privatization plan. It is expected that employees of the enterprise will get 25 percent of Type A preferred shares. The remaining securities will most likely be sold to subcontractor firms.

So far the regional agency has declared 29 other enterprises in the oblast insolvent. Among these are Gubakha Biochemical Plant, Osa Timber Farm, Kizelugol Association and Shumikhinskiy Mining.

Major Brewery for Sale

Last week the Kirov Oblast Property Fund announced that it will conduct an investment competition to find a buyer for a block of shares in the Vyatich Brewery. Its authorized capital totals R22.5 million (at 1 July 1992 prices), and 24 percent of that authorized capital will be offered at auction (approximately 33 percent of its voting shares, as the enterprise was converted into a shareholder-owned company using the first benefits option).

The enterprise is a major producer of beer and non-alcoholic beverages. The book value of its capital assets as of 1 April 1995 was in excess of R4 billion. The asking price for the block of shares is slightly more than R100 million, and the amount of investment required is R2 billion over a two-year period.

KOMMERSANT-DAILY experts note that this facility should be quite attractive to investors. The enterprise plays an important role in supplying beer and non-alcoholic beverages in its region, and its products enjoy steady demand among virtually every segment of the population. The initial amount of investment is not very large, and in the brewing industry return on investment occurs quickly — i.e. it is actually possible that the final portions of the required investment could be made using profits from initial investments.

As for probable participants in the competition, KOMMERSANT-DAILY observers single out the Alfa-Kapital privately-held stock company, which already owns stock in a large number of Russian breweries. The beer industry is also a traditional focus of interest by Western investors. Shares in many enterprises in this industry in Russia belong to foreigners. For example, shares in St. Petersburg's Stepan Razin Brewery are held by the Holsten concern, and shares in the Krasnaya Bavariya Brewery have been purchased by the Sasmson Company.

Tatarstan Revamps State Property, Industrial Policy

MK1907113895 Moscow DELOVOY MIR in Russian 19 Jul 95 p 2

[By Ildar Zakirov from Kazan under the "Decision" rubric: "Structural Changes in the Government"]

[FBIS Translated Text] The Tatarstan State Committee for State Property Management has been transformed into the State Committee for Industrial Policy and State Property Management. In this case it is not a mere change of name, as it might seem at first sight, but involves quite serious changes in the government structure. The fact is that concentrating the power to sell state property and the power to manage the property that will remain state-owned in the hands of one body — the State Property Committee — the government believes, has ceased to promote the development of market relations. In the initial stages of privatization, such a combining of functions was justifiable. Gradually, however, the State Committee has evolved into an unwieldy intersectoral management body that is hard to control, and there is now a need for it to be transformed. The State Committee for Industrial Policy and State Property Management that is to be set up as a result of this transformation is invested with the following functions: to determine industrial policy; to protect the interests of manufacturers and provide them with state support; to promote the development of joint-stock companies; and to manage the property that will remain state-owned. Newly appointed First Deputy Prime Minister Farit Gazizullin — former Tatarstan vice premier and State Property Committee chairman — has become the head of this body.

At the same time, it has been decided to set up another new agency — the State Committee for State Property Privatization — to deal mainly with managing the process of state property privatization and the sale of state property to new owners.

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Chernomyrdin Addresses Surgut Oil Industry Heads

LD2007132395 Moscow INTERFAX in English 1213 GMT 20 Jul 95

[FBIS Transcribed Text] MOSCOW, July 20 (INTERFAX) — Russian Prime Minister Viktor Chernomyrdin declared that the government is ready to revise excises on oil and to grant other tax benefits to oil-producing enterprises carrying out investment programs "if this leads to a dramatic increase in oil production by Russian associations."

Meanwhile, addressing leaders of oil companies and oil processing associations in Surgut (the Tyumen region, Khanriy-Mansiysk autonomous district) he called on oil workers to thoroughly prepare proposals for introducing financial and tax benefits. Chernomyrdin underlined that "this matter concerns billions of tonnes of oil and the government will adopt separate decisions on each association."

The conference held in Surgut paid special attention to an investment program providing for the development of the Samotlor oil field, extracted oil reserves at this filed exceed 2 billion tonnes, making it the largest.

According to sources in the Nizhnevartovskneftegaz association, developing the Samotlor oil fields, oil fields with total reserves amounting to 2.5 billion tonnes of oil were not developed due to a fall in extraction and resulting financial difficulties in Western Siberia.

The investment program to develop the Samotlor field provides for granting several financial and customs benefits to the Nizhnevartovskneftegaz association. The cost of the program is $8 billion. According to Nizhnevartovskneftegaz association, it will be possible to receive around an additional billion tonnes of oil a year thanks to implementation of this program.

Chelyabinsk Cuts Rate of Profit Tax

MM1907143795 Moscow RABOCHAYA TRIBUNA in Russian 18 Jul 95 p 3

[By Salim Fatykhov: "Taxes Cut. Time Will Tell Whether the Public Purse Will Be Swelled as a Result"]

[FBIS Translated Text] Magnitogorsk — Chelyabinsk Oblast has adopted a decision to reduce to 20 percent the profit tax rate for enterprises of all organizational-legal forms of activity.

The unorthodox step is aimed at increasing the incentive role of taxes and at developing production. However, local economists suggest that as a result the oblast budget will lose between 90 and 100 billion rubles: Those who did not pay taxes under the old taxation system will not pay under the new system either.

Action Promised on Problems of Far North

MM1907130895 Moscow PRAVDA in Russian 19 Jul 95 p 2

[Report by Yuriy Svirskiy: "Northerners Are People Too. The President Has Promised To 'Correct' Chubays"]

[FBIS Translated Text] The government has been shutting its eyes to the problems of the North for two years. You get the impression that it does not see or does not wish to see the difference between the territories in the grip of permafrost and Russia's southern oblasts and that it is trying to put the region's economy on a market footing "on the same basis." The Union of Arctic Cities has many times put proposals to the Duma and the cabinet of ministers with regard to stabilizing the northerners' life. The result has been zero. Therefore the meeting held in the Kremlin a few days ago marked a kind of breakthrough in the approach to resolving the painful problems of the Far North.

It should be pointed out that it certainly was not northern problems that were the main topic of the meeting but relations between the Federation and its components and the Russian president's budget message to the State Duma. In addition, the governors of Moscow, Novgorod, Arkhangelsk, and Volgograd Oblasts participated in it.

Naturally, given that agenda and those participants, it was impossible to ensure that the president's attention would be focused exclusively on northern affairs. Nevertheless, Deputy Igor Shpektor of the Komi Republic Supreme Council, president of the Union of Arctic and Far Northern Cities, managed to raise a number of practical questions of a purely northern nature, and principled decisions were at once adopted on some of them.

These questions include pensions for northerners returning to CIS countries to take up residence. Until now these people, who have worked for 20 and 30 years under Arctic conditions, were unable to retain the pensions they had earned if they left Russia.

The present situation is as follows. On moving to Ukraine, for example, to take up permanent residence there, a person who had earned a northern pension retained his right to this pension, but only until he reached the general pension age (this is understandable, if you recall that a preferential age for retiring on pension is set for northerners). But then he ceased to receive a pension from Russia and could claim only the minimum Ukrainian pension. This was manifestly

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unfair: After devoting all their working energy to Russia in its Far North under exceptionally harsh conditions, at the end of their life these people had to end up below the poverty line. This is why they preferred not to leave the North — regardless of where they actually lived for most of the year, they retained their northern housing (which is in such short supply).

Now this situation will be rectified: An edict is being prepared on the state's responsibility to such pensioners and on the payment of the pensions that they have earned, regardless of their place of residence and age.

In addition (and this also applies to northerners originally from CIS countries), an edict is being prepared to amend the customs regulations, so that northerners are able to take construction materials and their own property to Ukraine, for example, in excess of the normatives that exist today (at present, unless you have left the North, the sum even of personal belongings being taken across the "transparent border" may not exceed 2 million Russian rubles; this figure speaks for itself, and there is no need to comment).

The president acknowledged the hastiness of the transfer of departmental housing to municipal ownership. The transfer was made without proper financial backup, which put the housing stock in a situation whereby it was impossible to prepare it properly for the winter — the means for this simply did not exist.

The Russian president promised to "correct" Chubays, and the transfer process will, to all appearances, be slowed down. If large, rich industrial enterprises are able to maintain the housing stock, they must continue to do so right up until the proper resolution of the problem of funding.

The new version of the law "On State Guarantees and Compensation for Persons Working and Resident in Regions of the Far North and in Localities With Equivalent Status" has had its third reading in the Duma, and there is good reason to believe now (this was discussed at the meeting) that the law will be signed by the Russian Federation president.

The adoption of a principled decision to create a federal structure with the rank of a ministry to tackle the entire package of northern problems can be considered one of the significant results. Let us recall that the State Committee for the Social and Economic Development of the North, which existed some time ago, did not have the status of a ministry and was soon abolished altogether with the transfer of its functions to the Ministry of Nationalities Affairs and Regional Policy, whose arms regularly have not reached the North.

The most important thing is that the government will adopt a special program on the North. It is expected to be adopted as early as this July. It is now a question of results.

CPRF's Zyuganov Tours Crimean Cities

MM1907131595 Moscow PRAVDA in Russian 19 Jul 95 p 1

[Unattributed report: "Where Our Fathers Fought"]

[FBIS Translated Text] Who stands to gain from the delay in resolving the problems of the Black Sea Fleet and the signing of a Ukrainian-Russian Treaty? What are the origins of the bloody conflict in Chechnya? What can the Communists of Crimea, who have consolidated their positions following the local soviet elections, gain from the experience of the Russian Communist Party? Those are just a few of the questions that Crimeans asked during crowded meetings in Simferopol, Yalta, and Sevastopol with State Duma Deputy Gennadiy Zyuganov, leader of the Russian Communists.

His visit to the hero-city [Sevastopol] was particularly moving for Zyuganov: His father suffered very serious wounds during the Great Patriotic War at Sapun-gora.

Far East Military Airfield To Be Modernized

MM1907125995 Moscow KRASNAYA ZVEZDA in Russian 19 Jul 95 p 2

[By Valeriy Usoltsev under the "Regional News" rubric: "Military Airfield Makes 'Debut'"]

[FBIS Translated Text] Far East Military District — Work has begun to modernize the military airfield in the Maritime Kray town of Zolotaya Dolina, where combat fighters are currently based. When the necessary work is finished, this airfield will be a joint base for military and civilian aircraft and the international airport for Nakhodka, one of Russia's largest sea ports.

Raising Livestock Declines in Smolensk Oblast

MM1907133795 Moscow PRAVDA in Russian 19 Jul 95 p 1

[Unattributed report: "Cows Become Endangered Species"]

[FBIS Translated Text] Since time immemorial, Smolensk Oblast has been considered a livestock farming oblast. But over the last few years this sector has fallen into decline. The oblast statistics committee has published depressing figures. For instance, during the so-called years of stagnation there were over 0.5 million cows, which have always been called the breadwinners in Russia, but now that figure is down 50 percent. In a

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year, the oblast's milk herd has dropped by 8 percent, while the number of cattle, hogs, and poultry of all ages has dropped by 12, 18, and 3 percent respectively. While sheep have disappeared altogether. In the first half-year alone agricultural enterprises slaughtered 67 percent of the sheep, leaving just 700.

Livestock farming productivity is also falling. Thus, the milk yield per cow in the first half of the year stood at 860 kg, 42 kg down on the same period last year. In the first half of the year oblast milk, meat, and egg production fell by 9, 17, and 8 percent respectively. Needless to say, procurements of these categories of output also fell.

Economic Issues

Government's Comprehensive Action Plan, Commentary

MM1907130995 Moscow ROSSIYSKAYA GAZETA in Russian 18 Jul 95 p 4

[Russian Federation Government Decree No. 639 under the general headline "A Plan Is Also an Action": "On the Russian Federation Government's Comprehensive Plan of Action for the Implementation in 1995 of the Russian Federation President's Message to the Federal Assembly 'On the Effectiveness of State Power in Russia' and the Russian Federation Government Program 'Reform and Development of the Russian Economy in 1995-1997,'" dated 29 June 1995 and signed by Russian Federation Government Chairman V. Chernomyrdin; accompanied by commentary by Aleksandr Linkov]

[FBIS Translated Text] To create the necessary conditions for the further development and intensification of the radical economic transformations being conducted in the country, the Russian Federation Government resolves the following:

1. To ratify the attached Russian Federation Government Comprehensive Plan of Action for the Implementation in 1995 of the Russian Federation President's Message to the Federal Assembly "On the Effectiveness of State Power in Russia" and the Russian Federation Government Program "Reform and Development of the Russian Economy in 1995-1997" — hereinafter the Comprehensive Plan (not published).

2. To entrust the Russian Federation Ministry of Economics with the systematic gathering and analysis of information on the progress of the implementation of the Comprehensive Plan and with submitting this information on a monthly basis to the Russian Federation Government.

The federal organs of executive power, by the fifth of every month, and the organs of executive power of Russian Federation components, by the 15th of the first month of every quarter, are to submit to the Russian Federation Ministry of Economics information on the progress of the implementation of the Comprehensive Plan.

The Russian Federation Ministry of Economics is, by 15 July 1995, to inform the federal organs of executive power and organs of executive power of Russian Federation components of the composition and form of the submission of the monthly and quarterly information on the implementation of the Comprehensive Plan.

[Signed] Russian Federation Government Chairman V. Chernomyrdin

Commentary

The measures involved in the Russian Federation Government comprehensive plan of action for the implementation this year of the provisions of the Russian Federation president's message to the Federal Assembly and the program for the reform and development of the domestic economy in 1995-1997 are extensive. Efforts are concentrated on 11 major spheres. They include the strengthening of financial-credit policy, the intensification of investment activity, the development of the real estate market, the settlement of priority problems in the agrarian sector of the economy, and social issues. Housing reform, regional and foreign economic activity, and other urgent problems are also in the field of view.

In the sphere of finance, it is envisaged that a number of measures will be carried out to improve the taxation system, eliminate violations in the procedure for payments and transactions, bring bookkeeping in line with world rules, and create legislative foundations for the budget system. Thus, for example, unlike other years, this July the government must examine the Federal Law "On the Federal Budget for 1996." The Ministry of Finance and other interested ministries and departments have been instructed to prepare, by August, a new version of the Law "On the Budget System and the Budget Process in the Russian Federation." The Tax Code, which Government Chairman Viktor Chernomyrdin has already publicly spoken about, will also serve as an incentive for the development of domestic production. It is planned to discuss the prepared document within the current month.

A whole package of normative-legal documents is being elaborated to intensify investment activity and structural restructuring and to develop the real estate market.

A broad range of social sphere issues has been included in the Comprehensive Plan. The continued reform of pension provision in the country, the development of

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nonstate pension funds, the introduction of individual accounts for compulsory medical insurance, the implementation of the 1995 Federal Program for Promoting the Employment of the Population, and other measures which will be implemented on the basis of normative acts already in force or being drafted will serve to resolve them.

Other measures concerning fulfillment of the remaining areas of the government's comprehensive plan are depicted in just as much detail. It is worth noting that it is not simply the ministries in general that bear responsibility for their fulfillment but also the specific leader of the main department responsible for the final preparation of the documents.

Zhirinovskiy Proposes New Economic Order

MK2007063495 Moscow DELOVOY MIR in Russian 15 Jul 95 p 2

[By Vladimir Zhirinovskiy, leader of the Liberal Democratic Party of Russia faction at the State Duma: "Prosperity Managers or Nobody — Such Are the Alternatives for the Russian Bourgeoisie"]

[FBIS Translated Text] A normal, free economy is based on close a interrelationship between the production system and the systems of distribution and consumption. Quite a bit has already been said about the production decline in Russia — there are some eloquent statistics attesting to this. As for consumption, which is actually the driving force of any normal economy, at present it shows an unhealthy and, in fact, colonial pattern. The abundance of imported goods — largely of a low quality — partly restrains popular discontent but undermines the domestic industrial market. The same thing goes, although to a lesser extent, for the consumption of agricultural products. Our consumption system can be briefly described as an elitist-pauper one — there is no broad stratum of middle-class consumers. The reasons are the growing differentiation of incomes and the exclusion of large population strata — usually the most cultured and qualified ones — from normal production and consumption processes. The trouble with elitist consumption is that it does not promote an economic upswing, since it does not provide a market for industry, does not create new jobs, and diminishes the state's fiscal base. A normal economic climate implies stable mass consumption, mass production, and construction. As long as the average individual feels semi-pauperized and downtrodden, no stabilization is possible.

For a certain time, popular discontent can be kept under control thanks to traditional Russian tolerance, old belongings that are still held onto, and an abundance of imported goods that are of mainly inferior quality and, incidentally, available far from everywhere. The hope that irreplaceable resources can long be traded for imported bangles is naive. The production of basic raw materials and their world prices are constantly decreasing, and soon there will be nothing left with which to pay for the chocolates, pantyhose, shoes, tape recorders, and so on.

In addition, not all the consequences of the "reforms" are clearly visible yet. Meanwhile, some extremely alarming trends are growing — the dying out of the population, the destruction of infrastructure (including transport infrastructure), the loss of professional skills, etc. Statistics show that consumption of the most nutritious foodstuffs is steadily declining, remaining stable only for bread and potatoes. Industry is in recession and almost nothing is being invested to upgrade old equipment. The education and health care systems are decaying and losing their former accessibility. The lack of order, security, and confidence in the future is poisoning the lives even of the rich. If the president, however, says that he likes the situation in the country, this means he is being lied to — no normal person can like this.

What are the reasons for our calamities, then? There are many of them, but one should be mentioned first: This is the power which some abstract, speculative doctrines devoid of any realistic footing and their promoters have been enjoying in this country, unfortunately, for about 80 years now, with Marx on their banners having been replaced by Mr. Hayek and still more "liberal" theorists.

Meanwhile, the allure of a "self-developing" economy, completely free from any state intervention, is a myth and a lie even with respect to the so-called period of primitive accumulation of capital. Even then, the governments of the leading European states took measures to regulate and support the economic activities of their subjects. Under the "Navigation Acts," the British government banned the import of goods on non-British ships; it also developed a system of bonuses for exporting woolen cloth from the country; and for centuries it made enormous diplomatic efforts to expand markets for British goods — that is, it tackled tasks that no one company would have been able to. This was what enabled Britain to become the world's leading maritime and trading nation by the end of the 17th century after winning complete victory in its trade and military rivalry with the mighty but too liberal Netherlands, where both trade and warfare were virtually farmed out to private persons, while the state abstained from everything but the collection of taxes. Even in modern times (M. Thatcher) a preliminary state-assisted cleanup of enterprises before privatizing them was a well-established rule.

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Age-old historic and economic experience shows that to build a real economy based on ultraliberal concepts is like basing one's outlook on Nietzsche's philosophy. Yes, Nietzsche was a great writer whose esthetic ideas have aroused the imagination of more than one generation of intellectuals, but they are entirely unsuitable as a basis for ideology and morals. I talk about this because all ultraliberal concepts are nothing but naked economic estheticism, and nobody — except Gaydar and company — has ever thought of trying to implement them in their pure form. The trouble with our "reforms" is that the economy has again been overwhelmed by ideology, being instilled with utterly Bolshevik-like effrontery by inept and arrogant experimenters. Take, for instance, Gaydar. What is he? An expert on the working people's participation in management and on Latin America, that is, on transforming Bolivia into Colombia — which, in fact, was what he tried to do with Russia as well.

As a result, everybody is unhappy — some because they do not have enough money for bread; others over the dollar exchange rate; and yet others with the crime rate and the lack of stability. Almost nobody goes any farther than mere criticism, and all of our brilliant economists propose nothing but "creating the prerequisites for the emergence of conditions favoring the appearance of a mechanism...." Their motto seems to be: "Make your writing long and obscure!" Unlike them, I would like to dwell upon several specific measures that are essential for our economy to be made healthier or, more correctly, saved. I fully realize that these measures may cause a storm of protest by the persons and organizations concerned, but I can see no real alternative to them. I will list them without going into specific details about each sector, because otherwise I would need to write a whole book.

1. The de-ideologization and de-politization of the economy, liberating it from all speculative doctrines and concepts of both a Marxist and ultraliberal kind.

2. The formulation of firm and clear legislation and stable economic rules. Reduction in taxes and toughening of sanctions for their nonpayment.

3. Foreign trade in all raw materials should be completely in the hands of the state. This temporary measure should provide funds for pursuing a structural, investment, social, and cultural state policy to support the entire infrastructure, especially in the initial recovery period when the fiscal basis is small and budget expenses are high. After an export potential has been built up in industry and other spheres, the export of raw materials should be significantly restricted.

4. Commercial banks need to be formed into larger units, bringing their number down to 25-30 (This will happen anyway — just remember how many stock exchanges we had earlier. Where are they now?). The process should take place by gradual mergers based on auditing results, without bankruptcies or excesses. The aim of this would be to create a stable banking system capable of making investments and providing credits predominantly for production, rather than consumption. It is only by providing credits to priority industries under state guarantee that rapid structural progress can be ensured; if you provide credits for consumption, the structural progress becomes a long drawn-out process and, moreover, consumption, despite any protectionism, may be import oriented.

5. The policy regarding the "monopolies" needs to be completely revised. Here the starting point should be that the permissible degree of monopolization varies in different sectors of the economy — whereas in the retail trade it is completely impermissible (no more than 0.5-0.7 percent), in the high-tech industry, transport, communications, and oil and gas production sectors it is not only natural but also beneficial, and is optimal in the automobile industry at the level of 20-25 percent (four-to-five large factories assembling similar products). The current privatization and de-monopolization policy is leading to the rupture of the production chain, with only the most primitive production segments remaining viable.

6. After enlarging the production and financial structures, the state should make deliberate efforts to advance them into foreign markets, using all available political and diplomatic means.

7. The state should support the most skilled and cultured population strata, since it is the orientation toward the consumption and labor patterns of these people that is the driving force for the economy in any well-to-do society.

8. An uncompromising fight against crime of all kinds (using fast-track legal proceedings) should become one of the most important elements of economic policy. The freeing of trade and production from racketeering, gangsterism, bribery of officials, and highway robbery should quickly bring about a fall in prices for most industrial and agricultural products.

9. Priority in investments should be given to the following:

1) high-tech industries (including arms production);

2) the processing industry and mass production of inexpensive and cost-effective equipment for agricultural production;

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3) housing construction, which in our conditions of shortages can play the role of a "driving force" for the economy (the advantages of this sector are a relatively rapid capital turnover and the possibility of tying people's money up in housing certificates guaranteed by the state).

I am a proponent of statehood, and I make no secret of the fact. This is not because one fine morning I woke up and turned into one or because I like the word. I am statehood-minded because I regard the state as one of the top achievements of human culture and civilization. The state is neither the "tool of the ruling classes" nor the "night watchman" — it is a very fine instrument designed to coordinate and protect the interests of all social levels against any infringements on their rights, against one part of the population imposing its will on another, and, finally, against the external threat, whose existence it would be foolish to deny. The proposed measures are ones of state intervention, but this intervention should be strictly portioned out. It is absurd if the state itself has to sell ice cream, but it is no less absurd if the state abstains from planning its development and modernization, protecting and supporting business (except for raw materials), and maintaining infrastructure.

Now I have to say openly what the Liberal Democratic Party of Russia's attitude toward the "capitalists" is. This issue is very important since there have been numerous and varied insinuations about it. The main question is, what is the nature of the income received all over the world by that segment of the population called the bourgeoisie? I am sure that the bourgeoisie's income is money spent by society on organizing production, distribution (trade), and consumption. If the economy is decaying, however, this means that either the proper conditions have not been created for the bourgeoisie to fulfill the task, or else this population segment is failing to cope with it.

There is a fierce struggle for natural resources going on all over the world. The West has built its present material wellbeing by exhausting its own natural resources, and now — in order to maintain this wellbeing — it is looking greedily at the expanses of Russia, rich in raw materials. The entire global policy of the West is focused on maintaining and preserving the current situation, with the world divided into the "golden billion" and the raw-materials appendages, which at the same time act as a sales market and supply of low-paid manpower. Under this scheme, the role to be played by Russia is precisely that of a major source of feeding raw materials to the West. I urge even those who feel fine in today's Russia not to be deluded by the prospects of "partnership" with the West — they should realize that, under this scheme, the most they will get out of it is to become mere managers in robbing their own country, its present and future generations, to become white Negroes, that is, people fattened up so they can fulfill a certain task. I would recommend that those who agree to this, who are only going to take, to draw as much as possible for as long as possible from a country weakened by discord, giving nothing in return, and who are not ready to link their future with that of their Motherland start packing their suitcases right away.

As for the rest, I call them to a dialogue, to a difficult but mutually respectful discussion on what is the permissible degree of state interference in the economy, how to turn Russia into a prosperous and mighty state, and how to make the average citizen feel good — without which no steady and stable development is possible. The Russian bourgeoisie should understand the simple idea that to be a representative of a prosperous country is much more pleasant than to be a prosperous representative of a banana (that is, oil-gas-lumber) republic, and that the bourgeoisie in Russia should either be national in spirit and in cause, or it will cease to exist altogether.

I am writing all of this not for canvassing purposes, but in order to present my point of view clearly and honestly and to call to dialogue everyone who holds Russia's future dear. I am always ready for such a dialogue.

Livshits on Yeltsin's Raising Minimum Salary

LD1907174295 Moscow INTERFAX in English 1629 GMT 19 Jul 95

[From the "Presidential Bulletin" feature No. 135 (879): Compiled by Nikolay Zherebtsov, Andrey Petrovskiy; Edited by Vladimir Shishlin]

[FBIS Transcribed Text] The presidential aide on economics, Aleksandr Livshits, has described two documents signed by the Russian president on Wednesday as a "continuation of Boris Yeltsin's principal line to solve the acutest social issues."

Livshits made this statement in an interview with INTERFAX on Wednesday referring to Yeltsin's motion to raise the minimum salary from 43,700 to 55,000 rubles a month by August 1, 1995. The other presidential step, an instruction to the government to consider the possibility of raising salaries in budget-sponsored bodies within two weeks from the moment the would-be law on raising the minimum salary is signed, should be regarded in the same context, he added.

The presidential address to the State Duma is evidence that for the first time this year the rate of growth in the minimum salary overstripped that in consumer prices.

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If the State Duma managed to pass a law on raising the minimum salary before it goes on vacations, the government would as quickly raise salaries in budget-sponsored bodies, Livshits said.

Answering an INTERFAX question whether the state had enough funds to undertake such a step, Livshits recalled of the month-old presidential initiative to channel all additional budget revenues to budget-sponsored bodies. "We have been saving and economizing with this aim in view," he said.

Decline in Production Assessed by Enterprises

MM2007090195 Moscow IZVESTIYA (Financial Section) in Russian 20 Jul 95 p ii

[By Sergey Tsuklo: "Production Decline Has Accelerated, Stocks of Finished Output Are Increasing"]

[FBIS Translated Text] In June, according to the assessments of enterprises, the speed of the industrial decline increased again. The balance [above-norm assessment figures minus below-norm figures] fell from minus 25 percent to minus 29 percent. The greatest speed of decline (minus balance) in 1995 was registered in April. The dynamic of this indicator in the first half of the year was of a "serrated" nature: A rise in the balance was always followed by a decline and vice versa. The size of the fluctuations had declined by the middle of the year and the June reduction in the balance has so far not exceeded the April minimum — the decline may be slowing down. A steady minimum decline in 1995 was registered in the machine-building and the construction industry. In June, the balance there was minus 18 percent. The situation has begun to right itself with regard to production at woodworking enterprises — the balance rose to minus 40 percent after standing at minus 54 and minus 53 percent in April and May. The most intensive decline in June was noted in the petrochemical industry (minus 56 percent).

Assessments of the volumes of production over the past three months have remained at a very low level (minus 84 percent to minus 86 percent). Dissatisfaction in light industry has risen to minus 97 percent. In the food industry and construction industry, the best balances of assessments were registered (minus 68 and minus 73 percent respectively). Stabilization of their own production satisfied 19 percent of enterprises in June.

The actual growth of wholesale prices in June was at approximately the same speed as in May (plus 74 percent). In March through April the balance of the change in prices was plus 77 percent. The largest number of reports of price increases was received in the construction industry (82 percent) and the food industry (76 percent). In machine building the proportion of "prices have risen" responses over the past four months declined from 76 percent to 65 percent. The woodworking enterprises, again sensing a deterioration in demand, were obliged to curb the rise in prices — the proportion of reports of an increase in prices fell to 64 percent (in May it was 69 percent, in March 71 percent, and in January 100 percent).

The dynamic of the effective demand for industrial output in 1995 deteriorated. The proportion of reports of the reduction of demand rose from 33 percent in January to 54 percent in June. But enterprises are having difficulty in making an appropriate reduction in output, are mothballing capacities, and are laying people off. Production is beginning to overtake demand — the proportion of reports on the dynamics of output exceeding the dynamics of demand increased in June to 30 percent (in January such responses constituted 23 percent). A coincidence in the changes in demand and production was registered at 53 percent of enterprises. State enterprises assessed the reduction in demand at a balance of minus 60 percent while privatized enterprises assessed it at 40 percent.

The satisfaction with demand in the first half of 1995 steadily declined. The balance of assessments fell from minus 71 percent (January) to minus 85 percent (May) and in June this process seems to have stopped (the balance was 83 percent). The highest rate of dissatisfaction with demand remains in the light and food industries (minus 88 and minus 87 percent respectively). The coincidence of the assessments of demand and production was registered at 80 percent of enterprises in June.

Surplus stocks of finished output are forcing enterprises to display restraint in forecasts of production compared with enterprises which regard their stocks as normal. In 1995, with normal stocks the balance of expected changes of output was nil and with surplus stocks fluctuated within the limits of minus 10 to minus 18 percent.

Forecasts of the change in production after the improvement over the course of March through May fell three points in June. It is probable that the negative trend of actual changes in production in the first half of the year had an effect — with the intensification (according to the balance) of the decline from minus 13 percent to minus 29 percent, the improvement in the forecasts should stop. Forecasts deteriorated in all sectors apart from machine building (the conservation of minimal pessimism at the level of minus 2 percent) and light industry (improvement of forecasts from minus 47 percent to minus 36 percent). The forecasts of light industry enterprises

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over the course of 1995 as a whole remain very pessimistic.

Inflation expectations in June compared with May remained almost unchanged. The correlation between actual and forecast changes of prices was restored. The most moderate growth of prices is predicted by the woodworking enterprises (plus 60 percent). This is the fourth month in succession that such "restraint" has been registered in the sector. Since March there has been a steady reduction in inflation expectations in machine building. The balance there is now plus 65 percent. But the leader in price forecasts remains the construction industry (June was plus 86 percent, May plus 85 percent, and April plus 83 percent). The inflation expectations of state and privatized enterprises remained approximately as before (plus 57 and 73 percent respectively).

Data Indicate Delay in Financial Stabilization

MM1907084195 Moscow ROSSIYSKAYA GAZETA in Russian 19 Jul 95 p 1

[By A. Yevgenyev: "Ruble Strengthens, But That Is Not Enough. Head of Government To Address State Duma Today With Information on Socioeconomic Situation"]

[FBIS Translated Text] The end of the first half-year is traditionally a time for preliminary results, interim assessments, and new forecasts. The editorial office has just received State Committee for Statistics data on Russia's socioeconomic position current as of 1 July. On that day the Russian Federation Government Working Center for Economic Reform submitted its analysis of the processes taking place in the country's economy. Relying on these sources we will attempt to assess the progress of reform in the first half-year.

Inflation

The fight against inflation has been given priority in the cabinet's entire economic policy. Only by bearing down on inflation can we form a favorable investment climate and attract foreign and private Russian capital and, on that basis, ensure new, quality growth. In the first half-year inflation was successfully reduced from 17.8 percent in January to 6.7 percent in June. But this can only be seen as a partial success, since the anticipated, although not officially publicized, indicator was notably lower — at 4-4.5 percent. Experts believe that inflation in July will stay in the region of 5 percent and, on the whole, will remain at a relatively low level over the next two to two-and-a-half months, which will introduce elements of predictability and stability that are so necessary for those working in the real economy.

The Financial Markets

The situation here remains tense. The harmony achieved in mid-spring in the relationship between the foreign exchanges, the short-term state bond market, and the stock market, which guaranteed the stability of the entire financial system, has been partly lost. This is due primarily to the galvanization of the stock market, the expansion of stock-market trading, and the corresponding reaction from other financial sectors of the economy. Nonetheless, no storms are expected. It is quite clear that equilibrium will be restored and will be maintained without upheavals at least until mid-fall.

Industry

The sharp slowdown in the rate of the decline in industrial output is a nice surprise. Reality has notably parted company with the cautious forecast of the Ministry of Economics (of a slump of 7-9 percent in the first half). The actual decline was just 3 percent (4 percent for GDP). And May and June even saw some growth on the previous months. This overall relatively favorable result was predetermined by sectors which began making progress back at the end of last year — such as ferrous metallurgy (plus 12 percent), and the chemical and petrochemical industries (plus 9 percent). The fuel and energy complex is close to stabilization (minus 2 percent on the same period last year). At the same time, sectors based on military-industrial complex conversion areas (precision machine building, electronics, and, to a certain extent, the aviation industry and some machine building — areas which largely determine the industrial shape of the state) have been stuck at the crossroads. They are losing personnel and their ability to do the job. Nonetheless, there is some hope that it will be possible to prevent industry declining any further in the very near future. It is worth noting that there is a trend in industry toward a narrowing of the dynamics of wholesale and retail prices — which, as a rule, is typical of a period of stabilization.

Capital Investment

Once again, there is no cause for bragging in this area. With the start of reform the volume of capital investment fell sharply. It is now down by 20 percent. Russian investors have no confidence that government policy will remain unchanged, while Western investors are scared by our political as well as our economic uniqueness. Russia received even less from foreign investment, on which we are relying, in the first half-year than in the same period a year ago.

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The Labor Market

It is expected that as a result of the government's tough financial policy there will be a marked surge in unemployment. But here too predictions have proved inaccurate. There are currently 2 million officially registered unemployed in the country — 2.7 percent of the economically active population. But unemployment growth is slowing. The revival in certain industrial sectors is having an impact. On the other hand, enterprises are gradually adapting to the new realities. It is interesting that private- sector structures are cutting fewer jobs than the state sector. Clearly, entrepreneurs nonetheless realize that personnel in Russia constitute an enormous asset and are easier to lose than to acquire. Particularly in the context of our still rigid and immobile labor market.

Exports and Imports

There has been growth in both, but resulting in a trade surplus of $11.3 billion (as opposed to $9 billion a year ago). The change in the national currency's exchange rate will undoubtedly affect the balance of trade, but most probably through import volumes. We will not lose substantial amounts of exports, the Working Center believes. First, most export operations are conducted on a long-term basis. Second, our main exporters — linked to the fuel and energy complex, nonferrous metallurgy, or the chemical industry — retain enough of a profitability "cushion" to survive any problems caused by the strength of the ruble.

Living Standards

The population's real disposable income (that is, after compulsory payments and adjusted for inflation) was down by 7 percent on the first half of 1994. Real incomes were growing faster a year ago and two years ago. And although experts are noting some advantages to our current growth (the absence of a boom-bust cycle, for instance), the statistics force us to say that for most Russians the price of reform has been exceptionally high (44.5 million Russians have incomes below subsistence levels). And, unfortunately, that price is rising, not falling.

Experts are inclined to view two points — the situation with the ruble exchange rate and the decline in inflation — as achievements for the cabinet in the first half-year. To these we could add the certain improvement of the situation in industry. Nonetheless, the sum total and quality of what has been achieved do not yet guarantee resolution of the main task of the year — the achievement of financial stabilization. Judging by everything, this is something that the government itself understands. It was no accident that Economics Minister Yevgeniy Yasin recently stated directly that financial stabilization was being postponed for another year. Yet again, unfortunately.

Economic Stabilization 'Deliberately' Delayed

MM1907152595 Moscow TRUD in Russian 19 Jul 95 p 4

[Interview with Andrey Illarionov, director of the Institute of Economic Analysis, by Feliks Goryunov under the "Viewpoint" rubric; date and place not given: "Stabilization Postponed. Could Viktor Gerashchenko Win the Elections?" — first paragraph is introduction]

[FBIS Translated Text] Despite the authorities' assurances that their economic policy is already bringing positive changes — that inflation is falling away to nothing, the ruble is strengthening, and an economic upturn is beginning in a number of sectors — people do not believe it. The everyday reality is obvious: Prices are continuing to grow, living standards are at rock bottom, unemployment is increasing. What will happen in the Russian economy in the five months before the parliamentary elections? This is the subject of the conversation between TRUD's economics observer and Andrey Illarionov, director of the Institute of Economic Analysis.

[Goryunov] Assessing the results of the first six months of the second year of financial stabilization, the government is full of "cautious optimism," as A. Chubays recently put it. However, even independent economists not belonging to the opposition do not share this optimism, and believe that the financial stabilization plan is this year on the verge of collapse. So what is the real state of affairs, Andrey Nikolayevich — surely we don't, as in the proverb, have to wait three years for the fulfillment of promises?

[Illarionov] At the end of last year and at the very beginning of this year the government undertook certain steps to stabilize the monetary sphere of the economy. In January, emissions were sharply reduced, and the amount of money in circulation decreased. But then it all came to nothing again. In February, the growth in the money supply was already 8.5 percent, and it continued to grow until June at the rate of 10 percent per month. Having pinned its hopes on increasing the ruble exchange rate and buying up dollars on the financial market, the Central Bank had by June increased its currency reserves to $10 billion (at the end of January they stood at $2.5 billion). Thus the Central Bank "pumped" something like 35-40 trillion rubles [R] into the economy. Such a huge emission could not help but influence the inflation rate, of course. It began to sharply

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differ from the promised slowdown in the rate of price increases.

Now Anatoliy Borisovich [Chubays] says: The government has chosen a more reliable path of crushing inflation, sacrificing the speed of its reduction. In fact there was no deliberate choice. Since the beginning of the year they have not tired of telling us that from July 1995 the growth of prices would not exceed 1-2 percent per month, but in reality prices have grown already in the first six months by 70 percent.

[Goryunov] But the growth of prices is continuing not only because of the excessive money supply. The Russian economy today could serve as a classic example of the fact that inflation (literally the swelling of the money supply) and the growth of prices are not synonymous. After all, prices in our country are hiked up by monopolist commodity producers. Agricultural processing enterprises are a graphic example of this. The government itself "regulates" prices of goods and services in the base sectors — power, transport, communications — in the direction of increasing them.

Should we be talking only of the monetary repression of inflation, when the main market regulator — price competition — is not operating normally in the country? Maybe it makes sense to encourage competition in every way and at the same time to stimulate domestic production, thereby making supply outstrip demand? This would certainly restrain prices....

[Illarionov] That cannot be. We cannot get by without financial stabilization. All world experience shows this convincingly. Take the postwar development of Germany, Italy, Japan, and the recent experience of Latin America and the Near East. Indeed, why go so far afield? The example of East Europe and the Baltic countries is even more convincing. They all achieved the beginnings of an economic upturn only after their finances stabilized. Incidentally, today we can talk not only of the Baltic countries. In addition to them, three other countries of the former Union — Moldova, Kyrgyzstan, and Georgia — have achieved success in the stabilization of finances. Stabilization has also already begun in Ukraine, Belarus, Armenia, Azerbaijan, and Kazakhstan. Today the inflation rate in Russia is the highest on the territory of the former Soviet Union, apart from Tajikistan.

There is a ruthless logical connection between inflation and the growth of output. A reduction in the growth of prices leads to the growth of the public's savings and accumulations in the banking sphere and industry. These available funds become sources of investment in production, thanks to which it revives, leading to an increase in business activity in the real economy.

As for competition, it is indeed insufficiently developed in our country; we also have manifestations of monopolist diktat, with which the state is effectively failing to engage. It defends monopolists on both the external and the internal market. Some sector associations are even subsidized by the state at the expense of other sectors of the national economy.

World practice has perfected a reliable instrument for combating monopolies — opening up the internal market. But the government is today closing off this market with customs duties. The influx of foreign goods is restricted, and those which get through are sold at higher prices. This policy encourages commodity producers not to worry about lowering production costs or increasing the quality and competitiveness of their product. This "protection" of the internal market conserves technological backwardness and delays the structural overhaul of industry. In short, it dooms our economy to long stagnation.

[Goryunov] It is not known whether the Russian economy has now reached the stage of stagnation, or whether the slump in production has ended, as Chubays claims. If this is so, it has entered the phase of "stagflation," that is to say, the combination of stagnation with inflation. This is also a dangerous state for the economy, from which only a rational budget policy can rescue it. And although financial stabilization is being held back by the Central Bank, it is hard to deny that the Ministry of Finance is consistent: It is rigidly sticking to the budget expenditure and revenue parameters ratified by the State Duma, covering the deficit by noninflationary means — at the cost of increasing borrowing on the internal and external financial markets. In recent times the "collectability" of taxes has increased: Vladimir Panskov recently stated that implementation of the budget has reached 90 percent of the planned level in the second half of the year, and by the end of the year the plan will be fulfilled by a full 100 percent.

The problem is that this success (and I have in mind above all the expansion in the sale of state securities on the financial market and to the population) deprives the nonstate sector (and it is the nonstate sector which today represents the real economy, which is capable of reviving production) of investment resources. Most of them drop into the "black hole" of the budget, which supports the aforementioned uncompetitive and outmoded production units.

In other words, in our country the state effectively fails to fulfill the function of stimulating the private sector, as it does in countries with developed economies. On the contrary, it is taking away even the modicum of savings and accumulations which it has. On the other hand,

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fiscal functions are flourishing: Production groans under the weight of high taxes. But the so-called deflationary role of the budget is still more pronounced. Put simply, this means suppressing consumption through restricting the growth in real pay in the state sector.

[Illarionov] We have still a long way to go, in my view, toward stimulating the economy through the budget. At the moment we can only talk of a consistent anti-inflation policy which has still not been fully applied. As for deflation, you are right. The Ministry of Finance is exercising this function meticulously. But this is done at the expense of the most unprotected strata of the population who depend directly on the budget.

Pay was not indexed from last July through March of the current year. In the meantime prices increased two-and-a-half times over. The purchasing power of the income of employees in the budget-funded sphere fell by the same amount. There has not been such a reduction in living standards in all the years of the reforms.

At the same time we see that, whereas one part of the population is living on starvation rations, other spheres of the economy and society are getting theirs in full measure. Here is the data on the funding of various sectors from the budget in the first quarter of this year. Health and education received 30-40 percent of the planned level of funding, whereas agriculture got a full 200 percent. Here it is important to add that only a small share of these budgetary resources actually reach peasants: They are retained in the bureaucratic structures servicing the agrarian sector and in the associated commercial enterprises and banks.

Let us look further. Expenditure on administration and management grew in real terms by 80 percent last year alone, thereby setting a world record. This is in conditions where the country's GDP fell by 15 percent and personal consumption by 7 percent. Such rampant growth in expenditure on the bureaucratic apparatus was not seen either in Czarist Russia or in Soviet times. The state's share of consumption in the first quarter of this year increased to 26.5 percent of GDP. Even in successful countries where the economic role of the state is traditionally large (Austria, France) state consumption does not exceed 15-17 percent. That is our selective structural policy, those are our "reforms."

[Goryunov] In Marxist terminology, the political superstructure of the Russian state is swallowing its economic base. And that economic base is only half as large as in Soviet times, judging by the reduction in GDP.

[Illarionov] Despite this, a state monopolist machine has been created which sucks all the life from the economy and society for itself.

[Goryunov] "Hoist with their own petard," as the saying goes. The other day I found in the editorial library a five-year-old article by the authors of the "500 Days" program.

Do you recall what they wrote at that time, criticizing Gorbachev's half-hearted reforms and proposing their own radical, pro-market program? "Its main distinction is that it is based on a fundamentally new economic doctrine. Movement toward the market primarily at the state's expense, not that of ordinary people...." But let us return to financial stabilization. Say what you like, the Central Bank has managed through its efforts in the past three months to strengthen the ruble and even restrict the limits of the fluctuations in its exchange rate against the dollar. This somehow reassures the financial market and those people who feared that their accumulated "greenback" savings would be devalued.

[Illarionov] Yet another delusion. The point is not only that the ruble exchange rate is fixed within a fairly wide band of fluctuation, which will not eliminate risks for businessmen investing in medium-term deals. It has nothing to do with investors in real production, who must be confident in the stability of the exchange rate at least a year in advance. If the government really wanted to crush inflation, the exchange rate would be fixed firmly. This is how they acted in 1990 in Poland, in 1992 in Estonia, and in 1994 in Lithuania, thereby driving down inflation and bringing about the growth of production 18 months to two years later.

Also worthy of note is the period for which the fluctuation "band" applies — until 1 October. What then, where will the ruble exchange rate go — up or down? After all, they must know this in the Central Bank, which has 99 percent control of the situation on the currency market. In other words, this vagueness has apparently been created deliberately.

During the year the Central Bank has changed its currency policy four times, destabilizing the financial market. And this is not to mention the information leaks concerning the size of monetary emission and the various directives stamped "For Official Use" on the most routine questions. All this creates turmoil among bankers and the general public. And it would appear that this is not being done accidentally. The Central Bank, as in the three previous years, is conducting its own policy, not always informing the government about it, or even actually compromising it. An experienced hand is strongly in evidence here. The same hand which brought about the resignation of Yegor Gaydar and Boris Fedorov, and is now "exposing" Anatoliy Chubays....

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[Goryunov] If you mean Viktor Gerashchenko, he is now out of things, apparently — he is no more than an adviser to the acting chairman of the Central Bank....

[Illarionov] Louis XIII was absolute monarch, but power in France was in the hands of Cardinal Richelieu. Chronic instability will be maintained at least until this December. After the elections new people will come to power.

[Goryunov] I find it very difficult to believe this. I know Viktor Vladimirovich [Gerashchenko] to be a top class professional, one moreover ready to take personal risks for the sake of the Fatherland.

[Illarionov] I too have no doubts of his high professionalism. But it is precisely this that is most worrying, when you consider the apparently unprofessional actions of the Central Bank. Hence my conclusion that the financial instability which the country's main bank has maintained for three years pursues far-reaching goals....

[Goryunov] Be that as it may, the failure of financial stabilization in the present complex social and political situation is fraught with highly deplorable consequences. Most people who will go to the ballot boxes in December are fed up to the back teeth with promises. Many have already lost the belief that reforms are capable of securing them a decent life. Not everyone realizes that it is not "market democracy" which is guilty, but how skillfully and consistently its opportunities are used. This disenchantment could bring to power political forces which champion totalitarian methods of managing the economy and society under the banner of fighting for social justice. Thus we need stabilization before the elections, so that Russia is not turned back.

1995 Draft Budget Features Tax Innovations

MK1907095095 Moscow SEGODNYA in Russian 19 Jul 95 p 2

[By Svetlana Lolayeva in the "Budget" column: "The Finance Ministry: Taxpayers Must Feel That They Are Taxpayers'"]

[FBIS Translated Text] According to a source in the Finance Ministry, work on the draft federal budget for 1996 has in effect been completed. Although some corrections will still be made in the seventh variant of the draft, which was considered 15 July at a government working conference chaired by First Vice Premier Anatoliy Chubays, in his statement today in the State Duma cabinet head Viktor Chernomyrdin will proceed from this variant. The draft will be officially submitted to the State Duma under the law On Procedures for the Presentation and Consideration of the Federal Budget for 1996, adopted by the lower house last week, before 1 August. Possibly, this will happen as early and 21-22 July.

The draft budget prepared by the Finance Ministry is based on the budget deficit and inflation parameters as declared in the president's budget message: 4 percent of GDP and 2 percent respectively. In absolute terms federal budget revenues should constitute 355.1 trillion rubles [R], expenditures approximately R440 trillion, and the deficit R85 trillion. Tax receipts will constitute the largest proportion in federal budget revenues: 88.7 percent, which is 2.7 percent higher than in 1995. It is envisioned that profit tax exemptions for individual groups of enterprises will be canceled, which will yield the treasury an additional R8 trillion in revenues and partially compensate for the estimated R15-20 trillion losses resulting from the abolition of the special tax and the excess wages tax. The share of the profit tax in budget revenues has been reduced from 20.6 percent in 1995 to 18.7 percent next year, which confirms the Finance Ministry's intention to alleviate the tax burden for producers. On the other hand, the share of the value added tax in the overall volume of federal budget revenues will grow substantially: from 36.2 percent to 43.5 percent. The rate of this tax — which, according to the Finance Ministry, is collected best — has been established at 21 percent instead of the 20 percent planned in the sixth version of the draft budget. The value added tax raise was upheld at the insistence of the Economy Ministry, which motivated the need for such a move by the expected substantial expenditures, in particular related to Chechnya. Mikhail Zadornov, chairman of the Duma Budget, Taxes, Banks, and Finances Committee, in a conversation with SEGODNYA's correspondent expressed discontent over the increase in the value added tax in the seventh version of the draft budget. According to one Finance Ministry officer, however, a compromise on this issue is possible: The rate of the value added tax can be reduced to 20 percent if the norm for the profit tax deduction to the federal budget grows from 13 percent to 15 percent.

In the proposed draft federal budget for 1996 the Finance Ministry quite consistently follows its earlier announced strategy of shifting the tax burden from legal entities to private individuals. According to a source in the financial department, "taxpayers must finally begin to feel that they are taxpayers." So far, however, the draft does not factor in a new income tax scheme, work on which is actively proceeding, and it is quite possible that corresponding changes will be made in the budget in the fall. Although, according to a Finance Ministry official, the state will not be in a position to ensure the effective collection of all due taxes from individuals in super-high income brackets.

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Therefore it does not appear possible to lower taxes in the lower income brackets by increasing the tax burden on high-income brackets: Today 70 percent of taxes are paid by individuals with average and lower incomes. So far the Finance Ministry has limited itself to measures aimed at expanding the taxation base: The aggregate taxable income will include incomes received in the form of interest and additions to deposits as well as insurance bonuses. True, to protect the poorer sections of the population, a minimum level, equal to the refinancing rate, will be exempt from taxation. It is planned to receive R400 billion in additional revenues by expanding the tax base. The financial department has found yet another way of replenishing the federal budget at the citizens' expense: It is planned to lower the tax-exempt sum directed to individual housing construction. Whereas before, a sum equivalent to 5,000 times the minimum wage was exempt from taxation, now this threshold will be reduced to 1,000-2,000 times the minimum wage. True, according to the Finance Ministry, this novelty will mainly affect the interests of the rich building fancy mansions, not the Little Guy building small dachas at great pains.

Predictably, even this modest encroachment on the Russian people's wallets by the Finance Ministry will be met with counteraction from a Duma commission called upon to prepare a conclusion on the draft federal budget before it is submitted to the State Duma. The personal composition of the commission, which will include representatives of all Duma factions and committees, is to be approved at one of the remaining two Duma sessions before parliament's recess. It is quite natural that at the height of an election campaign people's deputies will stand up to protect the interests of their electors. True, in the context of a tight budget the deputies will face a difficult dilemma: either to uphold the interests of individual taxpayers, or work to secure maximum financing for the agro-industrial complex, the military industrial complex, and so forth. Even now, before the official text of the draft budget has appeared, some Duma members are subjecting it to severe criticism. One of the sharpest assessments of the cabinet's plans for next year has been given by Sergey Glazyev, chairman of the Economic Policy Committee, who told a recent press conference that "the government is demonstrating utter helplessness in using methods for getting out of depression that are commonly known in world practice, and is planning for structural degradation to extend into its third year." His colleague Mikhail Zadornov, chairman of the Duma Budget Committee, who is more loyal toward government actions, refused to dwell on the draft budget before its final version has been published, noting that he has "some questions about the inflation parameters and the macroeconomic forecast for 1996."

Government Displeased With Ministry's Draft Budget

MK1807114695 Moscow KOMMERSANT-DAILY in Russian 18 Jul 95 pp 1, 3

[By Vladislav Borodulin: "Budget Process. All But Its Authors Prove To Be Dissatisfied With Budget"]

[FBIS Translated Text] The event on Saturday [15 July] where the Finance Ministry submitted a draft budget for next year to the government can hardly be described as unexpected. Nor was it news that the sectoral departments were critical of the Finance Ministry's budget drafting efforts. The surprising thing over the last weekend was only the degree of dissatisfaction and the fact that it came from those who are traditionally regarded as, if not apparatus allies, then persons who cannot be the enemies of Vladimir Panskov — First Vice Premier Anatoliy Chubays and the president's economic aide, Aleksandr Livshits.

Even some experienced apparatus hands could not clearly size up the Saturday sitting in the White House. In form, it was of course a government sitting (it was held behind closed doors, and the documents relating to it were also kept under wraps), but the absence of two top government men — the prime minister and his first deputy, Oleg Soskovets — reduced its status to that of a "conference at Anatoliy Chubays'." Thus, the description given by Aleksandr Livshits should perhaps be regarded as the final one: "This is a rough, preliminary consideration of the budget by the government."

Owing to the unexpected zigzag in Budget Process-96, it is doubtful whether Viktor Chernomyrdin will officially present it in his State Duma address tomorrow. Most likely, the whole thing will be limited to a more or less detailed forecast of socioeconomic developments and a smooth rendition of the president's budget message. However, yesterday's upbeat statement from the premier's press secretary, Viktor Konnov, to the effect that the government is going to present the draft budget to the Duma, may prove to have some basis in fact: As is the Russian way, five days and nights is a very long time as far as the budget process is concerned.

In accordance with established tradition, the next year's economic forecast was compiled in two versions — the main one and a pessimistic one. It is hard, but possible, to discern a difference between them. The pessimistic forecast has it that "financial stabilization, the end of crisis, and economic recovery will be postponed till

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the end of the first half of 1996," and basically the timeframe for the recovery is not indicated (The authors must believe that economic recovery will start with the arrival of the calendar new year). Be that as it may, the forecast is not going to be subjected to considerable revision — it is usually "updated" depending on what the first three months of the year bring. Besides, the existence of two versions will help the government forecasters save face if their plans do not live up to reality. All these things do not apply to the draft budget for next year. Its fundamental parameters are quite well known: revenues — 343.948 trillion rubles [R], expenditures — R428.948 trillion, deficit — R85 trillion.

This, however, was not the subject of discussion in the Saturday sitting. All the complaints can notionally be divided into two groups. The first includes complaints that the sectoral ministries usually have against the Finance Ministry. On Saturday, the sectoral ministries also had massive arguments against the budget. In particular, there was dissatisfaction at the proposal [illegible] the tax on salaries and wages over and [illegible]orms. This, some speakers thought, would [illegible]ges in the sectors that already have high [illegible]s (the gas industry, for example). These [illegible]however, should not be taken seriously [illegible]y are as natural for the discussion of a[illegible] process as, say, the building of computer econ[illegible] models.

The second group of complaints is much more important. They were formulated by Aleksandr Livshits and Anatoliy Chubays in their speeches. The first vice premier thinks the main drawback of this budget is the "inconclusiveness" of the part dealing with revenues. According to him, what looks inconclusive are at least 30 trillion in revenues (10 percent). The draft compilers plan to obtain the sum through improved collection of taxes and duties and, most important, by raising the value-added tax [VAT] from 20 to 21 percent. In addition, it is proposed to change the way VAT is collected so that it is paid by all taxpayers directly during the sale of products and services. The consequences of this are quite obvious — nonpayments will grow and enterprises will have reduced amounts of circulating assets.

The president's economic aide cited the budget's political drawbacks. As a government staff member put it, his address boils down to the following. The budget may be infinitely good or bad economically but its main quality is its "ability to get through" the Duma. Can this be regarded as a general tendency toward the maximum possible peaceful coexistence on the eve of the elections? Obviously it can. No less important is the fact that the Finance Ministry's self-esteem has once again been hurt — a parliament-government commission has already been set up on its initiative. However, the Finance Ministry is not short on optimism: Last year it was also assuring the public and the government that the budget would be passed in good time.

Government Seeks More Prison Time for Tax Evasion

LD2007112595 Moscow ITAR-TASS in English 1053 GMT 20 Jul 95

[By Oleg Velichko]

[FBIS Transcribed Text] MOSCOW July 20 (ITAR-TASS) — 14,000 cases of major tax dodgings have been exposed in Russia and first deputy Prime minister Oleg Soskovets believes the situation can be improved by introducing a tough prison punishment for the dodgers.

90 people were jailed for tax dodging and four thousand criminal cases instituted, Sergey Almazov, director of the Federal Tax police department, told a government meeting Thursday. He said his officers exposed 7,300 billion roubles of taxes which had to be paid to the budget, but only 2,000 billion or 27 per cent were paid in reality.

Among the reasons for a growing wave of tax dodging, he listed the existing tough taxation system, inadequate punishment for the violations and the growing intervention of criminal clans into the Russian economy.

Almazov recalled that the necessity to ease the tax burden was reflected in the budget message of the President and blamed the State Duma for decreasing the prison term for tax dodgers from five to three years.

The Russian government will, therefore, request the Federation Council (the upper house) to introduce a stricter responsibility for such violations, it was noted at the meeting.

"If the level of punishment is not changed, the general situation can considerably deteriorate", Soskovets said.

Paramonova Could Again Contest Central Bank Post

LD2007110495 Moscow INTERFAX in English 0938 GMT 20 Jul 95

[FBIS Transcribed Text] MOSCOW, July 20 (FIA-INTERFAX) — Acting Central Bank of Russia [CBR] Chairman Tatyana Paramonova may again formally contest a permanent appointment to that post, a senior member of the government's staff has said.

The source said on Thursday that President Yeltsin nominated Paramonova for CBR president last autumn

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before the current version of the federal law on the Central Bank took effect (May 5 1995), which says that the same contender may be nominated for the post no more than twice.

Formally, the rejection of Paramonova's candidature by the State Duma at the full-scale session on Wednesday was the first, and Yeltsin may nominate Paramonova one more time.

However, the source doubts whether Tatyana Paramonova would agree to be nominated again.

A senior CBR official has said in an interview that in spite of a somewhat nervous situation in the bank following Paramonova's failure, the CBR acting president and the whole CBR staff continue to work normally. "The 50,000 employees of the Central Bank are tired of uncertainty. Sooner or later this would affect the functioning of the national currency", the source said.

About the likely candidates for CBR president the source said that the executive authorities would make a big mistake, if they fail to consult with the CBR Board of Directors first. "Ours is a very specific job and I am afraid that the CBR personnel would simply reject an alien appointee", the CBR spokesman said.

At the same time a reliable source in the State Duma has said that the documents for the presentation of a new candidate for CBR president were on President Yeltsin's table already. The source avoided disclosing the name, though. He remarked that it had been often mentioned in the press.

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International Affairs

Further Details on Situation of Peacekeepers in Bosnia

WS1907121995 Lvov INFOBANK in English 0957 GMT 19 Jul 95

[From the "News Service" feature]

[FBIS Transcribed Text] Kiev — According to Volodymyr Yelchenko, chief of the International Organizations Department within the Ministry of Foreign Affairs, Muslim fighters surrounded and mined the detachment of Ukrainian peacekeepers (about 70 servicemen) near Gorazde, Bosnia, during the night of July 16. All heavy vehicles and arms belonging to the "blue helmets" were either seized or damaged. The Muslims took a commanding officer of a Ukrainian peacekeeping company as a hostage and threatened to shoot him if their demands will not be satisfied. The name of the officer was not disclosed. Specifically, Muslims demanded that all military equipment of the Ukrainian company be turned to their hands and the company retreat from the position it now holds.

At the same time, about 80 Ukrainian peacekeepers were surrounded by Bosnian Serbs near Zepa enclave. The Serbs demanded that Ukrainian soldiers retreat and do not interfere in the hostilities. Both units lost their contact with the UNPROFOR command and the Ukrainian Headquarters. The Defense Ministry of Ukraine managed to establish a phone contact with a British company located higher in the mountains. Britons confirmed that the situation in the area remained critical during the recent three days. Muslims have opened fire several times in the direction of the Ukrainian troops. So far no casualties were reported on the Ukrainian side. The UNPROFOR command has recently issued an order allowing peacekeepers to leave or damage their arms and equipment in the case of a life threat, said the Defense Ministry officials to our INFOBANK correspondent.

The Foreign Ministry of Ukraine held a briefing on July 18 to inform that the member-states of the Contact Group will gather on July 21 in London to discuss the possible actions in the case of continuing Bosnian Serbs' offense on Gorazde, as well as to discuss prospects to resume the political process of peaceful settlement of the conflict. Foreign Minister Hennadiy Udovenko and Defense Minister Valeriy Shmarov will attend the meeting with a mission to relieve the tensions in Bosnia, to avert an impending danger from the Ukrainian peacekeepers and to prevent the escalation of the Zepa and Gorazde conflicts into a large-scale war. The UNPROFOR or the newly-created European Rapid Reaction Forces cannot effectively defend Zepa with their troops, said officials at the briefing. Instead, France has proposed to use these forces to defend Gorazde and eventually release other enclaves. The UN had virtually given in to the fact that the Serbs seized Srebrenica, said Volodymyr Yelchenko, Chief of the International Organizations Department. The Bosnian government broke the contacts with the UN special representatives, blaming them for losing Srebrenica.

Release of Bosnia Peacekeepers Demanded

LD1907144995 Kiev UNIAN in Ukrainian 1320 GMT 19 Jul 95

[FBIS Translated Text] Kiev — Ukraine's permanent representative at the UN Anatoliy Zlenko on 18 July met UN Security Council President Martinez Blanco, UNIAN learned from Ukraine's Ministry of Foreign Affairs on 19 July.

According to Anatoliy Zlenko, the UN Security Council should adopt decisive measures for the immediate and unconditional release of all Ukrainian peacekeepers and the free movement of UN personnel.

For his part, Martinez Blanco gave assurances that the UN Security Council would consider Ukraine's request as a matter of priority. He described as unacceptable the actions by the warring sides in relation to the UN peacekeepers, particularly the Ukrainian contingent.

During a meeting of the "Contact Group" which met at Ukraine's request, Anatoliy Zlenko asked its members to use all their political weight and authority to bring political pressure to bear on the warring sides with the aim of stopping the campaign of intimidation and threats directed at the UN peacekeepers, particularly Ukrainian servicemen, and to lift the blockade immediately.

Withdrawal of Peacekeepers Planned

LD1907174695 Moscow ITAR-TASS in English 1737 GMT 19 Jul 95

[By Mikhail Melnik]

[FBIS Transcribed Text] KIEV, July 19 (ITAR-TASS) — Defence Ministries of Ukraine and the United States are drafting plans for the withdrawal of Ukrainian peacekeepers who are under a mounting pressure from Moslems and Bosnian Serbs in the surrounded Bosnian enclaves of Zepa and Gorazde, Defence Minister Valeriy Shmarov told reporters on Wednesday [19 July].

According to Shmarov, Ukrainian "blue helmets" could be either airlifted or evacuated by roads under a reinforced combat escort. The Ukrainian and US military authorities see the latter option as preferable, the Minister added.

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Shmarov did not say when the evacuation would take place. "Everything will be decided in London on July 21, at a meeting of the Contact Group on the former Yugoslavia", the Minister said.

Kuchma: No Intention To Withdraw Troops

LD1907183495 Moscow INTERFAX in English 1803 GMT 19 Jul 95

[FBIS Transcribed Text] KIEV, July 19 (INTERFAX-UKRAINE) — Ukraine has no intention of withdrawing its troops from Bosnia where they are staying as part of the UN peacekeeping contingent, Ukrainian President Leonid Kuchma told journalists in Kiev Wednesday [19 July].

He said that there are no easy solutions to the conflict.

Ukrainian Foreign Minister Hennadiy Udovenko told Interfax - Ukraine that the ministry is receiving reports on the situation in Yugoslavia every two hours. In the run-up to the meeting of the Contact Group in London he intends to meet with the ambassadors of the countries represented in the group.

Karadzic Guarantees Peacekeeper Safety

LD1907201395 Belgrade TANJUG in English 2007 GMT 19 Jul 95

["Pool" item]

[FBIS Transcribed Text] Kiev, July 19 (TANJUG) — Bosnian Serb Republic President Radovan Karadzic sent a message to Ukrainian Defense Minister Valeriy Shmarov guaranteeing safety to the Ukrainian peacekeepers in the U.N. 'safe area' of Zepa, a Muslim eastern Bosnian enclave.

Shmarov said Wednesday he received the message indirectly, via U.N. Commander in Bosnia British General Rupert Smith, with whom he talked on the phone Wednesday [19 July].

Shmarov said Ukraine was trying to control the current situation in eastern Bosnia and added that, to his knowledge, none of the Ukrainian peacekepeers, blocked in the Muslim enclaves of Zepa and Gorazde, have been harmed so far.

The Ukrainian defense minister said his country Monday again requested the Sarajevo Muslim Government guarantee safety and free movement of the Ukrainian peacekeepers.

He was Wednesday evening to discuss the Bosnian crisis and the possibilities for evacuation of the blocked Ukrainian peacekeepers in Zepa and Gorazde with U.S. Defense Secretary William Perry, with whom he Tuesday agreed that maximum effort should be made to save the threatened peacekeepers.

'Text' of Kuchma Address to German Businessmen

WS1907113695 Kiev URYADOVYY KURYER in Ukrainian 8 Jul 95 p 3

["Text" of speech by President Leonid Kuchma at a meeting with German businessmen in Frankfurt am Main on 4 July: "Along the Road to Europe"]

[FBIS Translated Text] Esteemed Ladies and Gentlemen!

Let me thank you, and personally Mr. Klaus Peter Muller, for the opportunity to address this highly esteemed meeting. You, representatives of German business circles, have already done a great deal to support the establishment of a modern, socially oriented, market-like economy in Ukraine.

We greatly appreciate your understanding of the geopolitical importance for the European and world community of the development and strengthening of Ukraine, a state which is currently firmly and consistently proceeding along the path toward overcoming the command-administrative system and democratizing all spheres of sociopolitical and economic life, as well as toward the unfaltering observance of human rights.

Using this opportunity, I would like to assure the audience that the Ukrainian leadership has not changed its intentions to consistently and persistently conduct a step-by-step fundamental reconstruction of our state's entire system of economic relations, based on the rules of the market economy.

The consistent implementation of this policy has already produced quite significant results. I would not like to resort to any comparisons — rivalry is off the mark. I believe, however, that if someone made an attempt to assess our latest achievements on the path toward real market transformations then, absolutely, unconditional supremacy would be given to Ukraine.

This is true. After four years of making no progress, we have finally managed to create a quite solid foundation for these transformations, and to secure their irreversibility within the shortest possible period of time.

This primarily relates to liberalization of prices, which relates to a whole range of industrial and consumer goods.

We have currently tackled something that is perhaps the most important and complicated problem of the market reforms — the introduction of world prices in virtually the entire production sector, including energy

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sources. While Russian companies pay for oil, gas, coal, and electricity in prices not exceeding 30-40 percent of world prices, and they have yet to go through this thorny road, Ukraine has basically resolved this most complicated issue.

If one adds virtually complete liberalization of the karbovanets' exchange rate and the relatively high level of liberalization of foreign economic activities, then, according to estimates conducted by respected experts, it is clear that Ukraine has advanced further along the path of consolidating the open-type economy than other CIS countries.

This year, we have made decisive steps toward denationalization and privatization of property. Currently, private companies are already producing over 40 percent of industrial goods. Around 8,000 large and medium-size companies will be privatized this year, and small privatization has virtually been completed.

We have also introduced a profound reform of agrarian relations. The model of agrarian reforms developed by Ukrainian economists, including land reform, is becoming more and more attractive for the leaders of other CIS countries.

I will soon sign the Edict "On Privatization and Lease of Nonagricultural Land Plots Used To Conduct Business." I think that there is no need to convince anybody about the importance of this measure for the implementation of a number of tasks aimed at market transformations.

Our relative financial stabilization is a serious achievement of our economic policy. It is based on constantly decreasing budget deficit. Our goal is to reduce the budget deficit to 6 percent in 1996.

Somebody may say that this pace of reducing the budget deficit is too slow. This is incorrect. Experience shows that this is the optimal way to secure stability.

We have recently taken an entire range of measures for consolidating the state bond market in Ukraine, which is supposed to cover the budget deficit without increasing inflation in the future.

A significant decrease in inflation rate, from 21.2 percent in January to 4.6 percent in May, can serve as proof of profound stabilizing processes in the economy. By the way, Ukraine's inflation rate has been almost two times as low as that in Russia over the last few months.

The karbovanets' exchange rate has remained virtually unchanged for a long period of time. This made it possible to quickly reduce the Ukrainian National Bank's discount rate from 300 percent in November 1994 to 75 percent in June 1995.

In light of the aforementioned facts, one can say that a qualitatively new economic situation is currently developing in Ukraine, which must be taken into consideration by Western business circles, including those from Germany. On the one hand, this is connected with the essential expansion of an entire system of market transformations, and the establishment of objective preconditions for stabilization of the economy, and leading it out of the protracted, almost five-year crisis. The granting of such badly needed credits totalling $4 billion at the end of last year and the beginning of this year was an official recognition of these processes by G-7 countries and the most influential international financial organizations.

On the other hand, Western business circles must also take into account the factor of profound political stabilization. After long-lasting political debates, which several times came to a deadlock, after the dramatic confrontation between the legislative and executive branches, we have finally managed to develop and adopt an efficient model of cooperation between the Ukrainian Supreme Council and president in a peaceful and diplomatic way. As everybody knows, we have signed the Constitutional Accord. This document, which is undoubtedly crucial for the Ukrainian nation, gives the president the required power to dynamically and thoroughly implement economic reforms, as well as ensure essential strengthening of the processes of democratization in all spheres of social life and the irreversibility of reforms.

As a result, the course toward radical transformations in the Ukrainian economy have received sufficient possibilities for their further intensification. I assure you that I will fully use this opportunity. There is no doubt about this.

Now let me address the development of Ukrainian-German ties. I would not be frank if I said that we are fully satisfied with their current status.

As everyone knows, Germany has been, and still is one of Ukraine's main economic partners among EU countries.

Let us look at these processes more carefully, however. Among West European countries, Germany comes first in trade with Ukraine. This is great. There are also other statistics, however, which must not be neglected.

Last year, Ukraine managed to significantly increase the volume of foreign trade. It increased by $3.5 billion, or 16.7 percent, compared with 1993, which, as a matter of fact, is the highest indicator of annual increase among the CIS states. You should remember that this happened during a decline in production.

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As for the pace of increasing trade between our states, it is much more moderate and amounts to 11.7 percent.

The assortment of Ukrainian exports to Germany is rather limited.

The most alarming thing, however, is that the negative trade balance is increasing.

Judge for yourself.

In 1994, Ukraine's negative trade balance decreased from $1.8 billion to $1.2 billion. We achieved a positive trade balance amounting to $1.4 billion in trade with Western countries. As for our trade with Germany, however, the negative balance increased by almost 12 percent — from $290 million to $347 million. In terms of the volume of negative balance, Germany ranks third among our other trading partners. We must unconditionally find a possibility of changing this situation. I believe you agree that this situation is inadmissible.

The situation has somewhat changed during this year. The volume of our exports to Germany is currently increasing more quickly.

Nevertheless, the situation has not changed essentially.

Similar problems exist in the area of investment cooperation between Ukraine and Germany. I believe that we are not fully using our capabilities in this area as well. It is enough to say that, as of 1 January 1995, the capital of joint Ukrainian-German companies had amounted to a mere $64.3 million.

I have already emphasized that the Ukrainian economy is showing tendencies to overcome the crisis, and this, in turn, is creating the best preconditions possible to develop a full-fledged investment process. I am sure that you understand this perfectly.

The foundation for accumulating our own investment potential is being formed in our country, and our economy's accumulation norms [norma nahromadzhennya natsionalnoyi ekonomiky] have also begun increasing. We also expect a partial return of the national capital that has "settled" abroad. This process has already begun. According to our estimates, Ukraine would be able to efficiently use foreign investments totalling around $30 billion as early as the next few years. We are currently conducting an active search in this area.

While speaking about the expansion of our business relations, one should currently emphasize one thing: The fact that we are expecting only one thing — mutually convenient partnership and economic cooperation, as well as removal of the artificial barriers, which still remain from the old times. The treaty on avoiding dual taxation signed yesterday is a very important step forward in this direction.

However, this is still not enough.

We are extremely interested in receiving political support from the German Government, first of all, with regard to the issue of ratifying a treaty on partnership and cooperation between Ukraine and the EU by EU countries.

An active stance of German banking and industrial circles on resolving the issue of changing Ukraine's status in the EU's general system of preferences would invigorate our bilateral economic cooperation.

Let me remind you that, beginning 1 January 1995, the European Commission canceled the system of preferential tariffs on certain Ukrainian textiles and cloth. These measures by the EU imply a reduction of investments and export contracts, which, in fact, has a negative impact on the development of bilateral Ukrainian-German relations.

As for liberalization of economic, scientific, and engineering cooperation with Germany and other EU countries, Ukraine is interested in more vast access to advanced technologies and equipment in the framework of the Coordinating Committee for Multilateral Export Controls. Our state is still on the list of "S- group" [expansion unknown] countries, for which limited procedures for importing advanced technologies are preserved, which, as a matter of fact, were established with regard to the former USSR.

While such an attitude could somehow be explained at that time, we can currently find no reason important enough to explain the continuation of the previous policy.

I would again like to emphasize that we are interested most in long-term German investments. There are many promising directions.

I would like to discuss some of them. The first and the most important direction is to develop and complete our unfinished technological designs, projects, and unimplemented ideas with the participation of foreign capital, primarily in the military-industrial complex. They distinguish themselves with originality, and in some cases even uniqueness in world practice. Their development should be continued by launching serial production of commodities and accessories competitive on international market.

I have in mind universally recognized achievements of our scientists and engineers in the areas of cybernetics, chemistry, material technology, electric welding, rocket technology, or space communications systems.

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The second direction is to engage foreign capital in the development of our economy's export capabilities. There are already favorable preconditions for this. These include the relatively low price of production facilities, the presence of qualified labor force, and our scientific and engineering staff on the one hand, and the efficiently developed industrial infrastructure in certain branches of the economy on the other hand. This primarily relates to such branches as motor- and tractor-building, the car and instrument-manufacturing industries, as well as metallurgy, the modernization of which could become an object of long-term cooperation.

The third direction is to develop production of formerly imported commodities and energy-saving technologies, as well as scientific and engineering cooperation in the power engineering industry.

The decommissioning of the Chernobyl nuclear power plant represents a specific group of issues. These issues are being thoroughly discussed.

The fourth direction is to introduce advanced German technologies into Ukraine's agro-industrial complex and establish cooperation in reprocessing branches, as well as those producing consumer goods.

In this regard, we have to take into account the potentially large Ukrainian consumer market, the capacity of which is constantly increasing, as well as the capabilities of exporting competitive goods of the agro-industrial complex, particularly those produced by joint ventures based on Western technologies, to Eastern countries, particularly Russia. When Ukraine was a member of the former USSR, almost a half of all goods produced by these branches used to be delivered to other republics of the USSR. This is our traditional market and we are going to use all means to restore our ties, obviously on new terms according to the national interests of every country.

Small and medium-sized German firms could play a very important role in the development of this area of cooperation.

There are great prospects for cooperation in the area of extracting Ukraine's natural resources such as oil, gas, methane, gold, and other resources.

Finally, there is yet another possible direction in cooperation between Ukrainian and German business circles. Ukrainian-German engineering cooperation in third countries may become very successful. In particular, our teamwork in the construction and reconstruction of hydraulic engineering facilities by Ukrainian specialists (in Latin American and African countries using German credits) seems to be very promising.

We are also interested in German financial support on mutually convenient terms, to ensure the participation of Ukrainian companies in the restoration and modernization of industrial and power engineering facilities constructed by Ukrainian specialists in third countries during the times of the former USSR. There are many such examples, and I am thus calling on you to cooperate in this area as well.

While addressing these issues, I would like to emphasize the following prospects: Ukraine has potential capabilities for resolving more quickly a number of problems connected with its participation in the current civilizational processes. We are exerting all efforts in this area.

Finally, I would like to point out that it is clear for me that not all the required conditions for the development of a full-fledged process of investing in the Ukrainian economy has been created so far. However, we are using all means to create such conditions in the immediate future.

I will also say that we are ready to carefully examine at the highest level every proposal concerning specific projects for our economic cooperation, as well as to make coordinated and mutually beneficial decisions. I hope that our visit to the FRG and our numerous negotiations at the governmental level, as well as with representatives of business circles, will contribute to this.

Thank you for your attention.

Envoy to Cuba Views Bilateral Relations

AU2007095695 Kiev HOLOS UKRAYINY in Ukrainian 18 Jul 95 p 12

[Interview with Oleksandr Taranenko, Ukraine's ambassador in Cuba, by Natalya Filipchuk; place and date not given: "Does It Pay To Be on Friendly Terms With Cuba?"]

[FBIS Translated Text] When speaking about the results of his numerous foreign trips, the [Ukrainian] president invariably reiterates: Ukraine's potential was highly assessed, and we managed to convince people there that it is advantageous to cooperate with our state. Unfortunately, in the majority of visits at various levels the main intention is to tell and prove this. However, there is a country in the world that does not have to be convinced of this. Back in the times of the USSR, Ukraine accounted for 30 percent of the ties with that country.... The country is Cuba.

[Taranenko] Altogether 16,000 Cuban specialists received their training in Ukraine. Even now, 45,000 Ukrainian-made tractors are working in the fields of the

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republic, and the television sets (2 million) in Cuban homes were assembled at Lvov, Smila, Simferopol, or Sumy factories. All of these require spare parts. Therefore, the uniqueness of Ukrainian-Cuban relations lies in the fact that there is no need to convince anyone in Cuba of Ukraine's possibilities, so that the Cuban market is open to us.

[Filipchuk] It seems, however, that Ukraine itself does not realize this....

[Taranenko] Right, we are wasting many opportunities. Almost daily, Cubans turn to us with proposals to purchase some appliances, such as those same television tubes necessary for repairing Ukrainian-made television sets. However, Ukraine is in no hurry to sign contracts. Meanwhile such capitalist giants as Canada, France, or Spain are starting to win over the Cuban market.... This is no accident, since Cuba occupies 29th place on the list of 100 countries considered to be most advantageous for investing in.

[Filipchuk) What about Ukraine?

[Taranenko] Let me put it mildly. On that list, the United States occupies 22d place and Russia — 97th. The list only includes the first 100 countries.... The predictability of policy and steadiness of laws [in Cuba] attract investors, even despite the economic blockade imposed by the United States. By the way, when a foreign ship enters a Cuban port, it has no right to sail to the ports of the United States for six months.

[Filipchuk] Incidentally, what is the attitude in Cuba to Ukraine's striving to build capitalism in its state?

[Taranenko] Cubans avoid any categorical assessments, but approach this with understanding. Even though after the collapse of the socialist camp, Cuba has in fact remained face to face with its own problems. Perhaps everybody knows how difficult a situation Cuba has found itself in. In all talks, Cubans stress that they would like to cooperate with our state, inquire how commercial banks function, and how the new economic policy is pursued.... From their point of view, we are, primarily, a country that has a wonderful experience of industrial construction, rather than of capitalism or socialism.

[Filipchuk] How can you explain the fact that, over the four years of our independence, it was not until this year that the first Ukrainian governmental delegation visited Cuba(!) Visits at levels of individual ministries are not frequent. Perhaps, economists and politicians believe that it is more advantageous to maintain friendly ties with rich states?

[Taranenko] Cuban delegations visit Kiev more frequently. However, it is not just a matter of delegations. In view of the internal political and economic problems, it is difficult for us to set up full-fledged cooperation. We must do this. Primarily in order to boost our export and the external economic potential. Unless we do this as soon as possible, they will replace our technology with Canadian or French ones.

We are also partly to blame for the present difficult life in Cuba. The Cubans not only borrowed the socialist idea from the USSR, but also its shortcomings. Having become an independent state, we have had many problems of our own, and even though we have tried to maintain relations with our long-time partners, we have not developed them further. Now that there is a Ukrainian Embassy in Cuba, I am sure that the situation will change for the better.

Chinese Delegation Begins Visit to Crimea

LD1907233695 Moscow ITAR-TASS World Service in Russian 1711 GMT 19 Jul 95

[By UKRINFORM correspondent Sergey Pavliv]

[FBIS Translated Text] Simferopol, 19 Jul, (ITAR-TASS) — A Chinese National People's Congress delegation headed by Vice Chairman Wang Hanbin, arrived in Crimea 19 July within the framework of an official visit to Ukraine. During a meeting with Yevheniy Suprunyuk, chairman of the Crimean Supreme Council, Wang Hanbin stressed that the purpose of the visit was to deepen relations between the PRC and Ukraine and to expand cooperation in the spheres of trade, economics, and culture. In the course of the meeting, in particular, the issue of exchanging experience on setting up special economic zones was discussed.

The Chinese delegation will also visit Yalta and sightsee on the Crimean southern coast.

Crimean Parliament Speaker Meets With OSCE Officials

WS1907134295 Kiev UKRINFORM in English 0632 GMT 19 Jul 95

[From the "Current Events" feature]

[FBIS Transcribed Text] As UKRINFORM's correspondent in Crimea's capital, Simferopol, reported, on Tuesday, July 18 Yevhen Suprunyuk, Crimea's newly elected Supreme Soviet chairperson, met there with OSCE mission head Godfrey Garret and the latter's deputy, Benjamin Tona. During the meeting the Crimean parliament speaker informed the OSCE officers about the current situation in Crimea and the Crimean Supreme Soviet's most urgent legislative tasks. Mr. Suprunyuk also informed his guests about the outcome of the latest round of talks in Kiev, and noted the

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necessity for speedily drafting and adopting a new constitution for the Crimean Autonomous Republic stressing that it should fit into Ukraine's legal framework.

National Affairs

Defense Minister on Policy, Army Problems

WS1907123095 Kharkov VREMYA in Russian 29 Jun 95 pp 1-2

["Exclusive" interview with Defense Minister Valeriy Mykolayovych Shmarov by Ye. Zelenina; place and date not given: "What Does Valeriy Shmarov, Ukrainian Deputy Prime Minister and Defense Minister, Think About Most Often..." — first seven paragraphs are VREMYA introduction]

[FBIS Translated Text] Almost a year ago, for the first time in the history of both our state and the Soviet Union, the Ukrainian Defense Ministry became headed by a civilian. Few people were surprised, though. Everyone knew that Valeriy Shmarov, whose previous career was closely connected with the military-industrial complex, is a man from the "president's team."

If you add to this the fact that before his appointment, the Army had "lived through" two ministers, one of which was too preoccupied with politics and the other ruled the ministry so "quietly" that no one can recall anything about him, the "industrialist" Valeriy Shmarov became viewed as a man from whom you should expect new actions. This appointment was linked to the first phase in building and reforming our Armed Forces.

The new minister frequently and successfully appears on the international arena, participating in intergovernmental negotiations and visiting "hot spots" in Yugoslavia. During Valeriy Shmarov's tenure, Ukraine participated in an exhibition of military equipment in Abu Dhabi. Handsome and displaying a proud posture despite his civilian suit, Shmarov could be easily singled out in the crowd, cultivating a new image of "power ministry leader" — something that is critically important for a young state.

The press frequently publishes his interviews and commentaries on our defense policies and arms production. Ukrainian newspapers, however, have not yet managed to present the minister's position on the Army's core issues. Judging by complaints voiced by servicemen, the Army is still existing in a kind of suspension. Little has changed in Army life, even though everyone noticed a substantial improvement following Shamorv's appointment; wages are now paid on time!

I shared these superficial remarks with Valeriy Mykolayovych after he agreed to give VREMYA an exclusive interview.

I would like to emphasize, the minister said, that throughout these 10 months of my heading the ministry, we have been living in a time of steady economic decline. As the Army is not hidden in a sterile test-tube, it is fully exposed to this situation. Therefore, there can be no talk about expansion — may God help us to keep what we still have. All the more so because our Army is a heavily regimented structure. Stripped of any possibility to participate in market relations, the Army has serious trouble trying to fit into the new social and economic environment.

To begin with, we are faced with an extremely difficult task — to forge the national Armed Forces out of the chaotic and hypertrophic troops stationed on our territory. Even now, following substantial scale-downs, they cannot yet be called Armed Forces. In our activities, we are sticking to the fundamental principle: The Army should be sufficiently large to protect the state. On the other hand, we must take into consideration Ukraine's economic condition and its real ability to maintain its own Army. This is how we balance the implementation of the military reorganization program.

[Zelenina] Servicemen have already heard the news that additional scale-downs are imminent. How are these reductions going to be carried out and who will be fired in the first place?

[Shmarov] Ukraine has made a decision to embrace non-nuclear status. Here is the answer to your first question. Strategic nuclear forces are subject to reductions. Of course, it is a complex issue, calling for a decommissioning of equipment and, as it were, "conversion" of the personnel. Also eliminated should be the strategic rocket-carrying bomber aircraft; Ukraine is currently facing no tasks that could be accomplished by it. This means that we will have to remove this force. Does Ukraine really need the more than 170 military transportation aircraft? And what about the great quantity of mobile forces? We do not need all this, as we are faithful to the defensive strategy.

This is the reason why we are getting rid of excessive personnel, creating self-reliable military structures, and putting them under subordination of the Defense Ministry and General Staff in an effort to unite the Army into a single organism whose systems would function smoothly and in agreement with each other. I think that the implementation of this task will take several years.

By the end of this year, we are planning to have a 400,000-strong Army. This figure has been found economically feasible. Politically, however, Ukraine has no possible enemy, and the number of our troops should be in agreement with the geopolitical area where we are.

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Otherwise, our state will not be able to sustain military spending.

[Zelenina] This year's budget provides for increasing allocations for defense and security...

[Shmarov] Who told you that? There is inflation, after all. Funds earmarked for the Ukrainian Armed Forces account for only 20 percent of the required amount. How can one live on this 20 percent? We are experiencing permanent problems. What can give a boost to the economy and industry? Orders! And what can I order if the [military's] debt amounts to 9 trillion karbovantsi [K] at present? I am running debts for municipal services, food, material supplies, coal, and so on and so forth.

[Zelenina] So, what should an officer hope for?

[Shmarov] We are closely watching the social situation of servicemen. By the way, until this summer, officers were among the 10 best-paid categories based on their combined income (a sum of the basic salary, payments for length of service, a rank, food rations, municipal, and tax benefits). A regiment commander's salary, for example, is as high as mine.

So, I would not say that things look hopeless in this sphere. Nonetheless, wages have declined considerably in the military, going below the line where they can be called satisfactory, particularly if you add the fact that officers are not able to have additional jobs. Thus, we tell them: buy land plots, run your home economy, and do what the entire working class is doing right now. We are making sure that all officers can bring home food rations. Meager as they are, such rations are helpful.

I firmly assert that officers should retain their benefits regarding municipal payments and taxes. They still have them, even though some lawmakers are inclined to eliminate them.

[Zelenina] You have said that the military reorganization may take several years. Do you foresee what our Armed Forces will be like in terms of their structure, size, and weapons in the year 2000?

[Shmarov] I am supposed to think about this. After all, the year 2000 is not far away. Processes are taking place very quickly, but there are certain tenacious problems which cannot be resolved in four or five years. I realize this fact and set adequate objectives. I do not believe that by the year 2000 an economic revolution will occur which would propel our economy to prosperity. We do not have $10 billion for the arms modernization program. This is why our task is to preserve the equipment that we still have. This is quite modern equipment. At the same time, as far our economic conditions allow, we are enhancing our potential for designing and manufacturing weapons. We are working on logistical support for the Navy. We even have orders for building new ships.

As for the Army's size, Ukraine should move to the level of 300,000 servicemen. This should be a well-manageable and mobile Army.

[Zelenina] Not so long ago, some deputies from the Rukh legislative faction accused you of destroying the military- industrial complex.

[Shmarov] I heard this. Only those who understand nothing are shouting. If these people understood at least something, they would shout: "Give Shmarov a budget sufficient for developing the military-industrial complex." Over the past two years, we have received virtually no funds for conversion in our country. Yet, we are trying to do a lot in this sphere and will continue our efforts. Ukraine has more than 500 conversion programs. Although they were planned very well, their implementation was not active, because conversion requires a lot of money. While in 1993, we received 35 percent of the sum necessary to finance such programs, this figure has slipped to... K5 trillion this year. This amount was for the entire year! Can you imagine how little this is when miners demand K10 trillion for one month?

However, generally speaking, the conversion process is under way. Working teams and the military-industrial complex managers should not wait for charity from the state.

[Zelenina] Well, our stores are jammed with pans...

[Shmarov] This is a good thing, too. When people stop buying pans, we will start making frying-pans. Of course, I am not too enthusiastic about that, but this also is one of the elements of conversion. After all, we have to work! We have lost good technologies and production lines....

[Zelenina] Have we lost them irrevocably?

[Shmarov] Strong working teams managed to cope with this situation. For example, they managed to transfer from manufacturing missile equipment to making automatic control systems, computer equipment, and high-tech domestic appliances.

Take, for example, the Kharkov Shevchenko Poland specializing in missile control systems. Not only in Ukraine but in the whole world, there is a tendency to manufacture these types of weapons. This is why the plant has very few clients. Look at this telegram. Russian clients owe us 10 billion rubles [R], R13 billion,

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and 2.9 billion on different contracts. In other words, Russia, too, has no money for this purpose. Even though there are things that are still in demand, they are still being ordered; but unfortunately, their economy is not in top condition.

Generally speaking, the Kharkov region is very heavily militarized, including the science and production spheres. The situation, however, is far from tragic. In any case, I do not know about any "crashed" enterprise in Kharkov. The plants here are working either to launch new products or to benefit the Ukrainian state and consumer market. This is the stage through which we must go. But we will never be able to restore the military-industrial complex to the Soviet level.

[Zelenina] What do you think about the concept proposed by Russian General L. Ivashov about a defensive union of CIS countries and a CIS collective security system?

[Shmarov] First, I do not regard Ivashov as a politician. Second, speaking about integration, what kind of integration should it be? If it is going to be economic integration, the matter is very simple: Give us money and we will take care of everything. The prospective comprehensive Ukrainian-Russian treaty will put a lot of emphasis on state support for economic cooperation. We have already concluded a bilateral agreement on rocket and space equipment, aviation motor-building, radar equipment, and ship building. But with both Russian and Ukrainian economies experiencing problems, the implementation of these agreements is pretty slack.

As for the political and military situation, our position is quite clear: Ukraine is a non-bloc state.

[Zelenina] Nevertheless, we are strengthening our relations with NATO...

[Shmarov] I have repeatedly declared, and will reconfirm it right now, that Ukraine does not see itself being a member of NATO! We are cooperating with the North Atlantic alliance only in moderate forms. These include the Partnership for Peace program, covering 26 states, including Russia, East European countries, and even Malta. I regard it as a kind of political preventive measures and a guarantee for peace in the European geopolitical region. It does not lead to rigid relations, this is why we accepted it. This is also a kind of integration — soft and evolutionary. Likewise, without joining the CIS collective security bloc, we are cooperating with the Russian Federation, Uzbekistan, Kazakstan, and Azerbaijan. This cooperation involves resolving military and technical problems in training our personnel.

[Zelenina] Do you support the idea of creating a professional Army?

[Shmarov] I believe that the Army should be manned on a mixed basis. Of course, there are professions and positions that should be filled with professionals. And this is what we are doing. More than 30,000 "professionals," as you call them, are serving in the Ukrainian Army. These are extended-service servicemen, who serve for money. Generally speaking, privates and sergeants should serve on a term basis — youths should be familiar with their right and obligation to defend their homeland.

[Zelenina] ...but not with a broom in hand.

[Shmarov] Well, such examples can always occur. Some deputies come to me and say: "I saw a soldier with torn pants..." You can see this. In general, however, the military training and service proceed in a proper manner. I am closely watching this sphere, and so are the commanders. Soldiers are well-fed (and believe me, it is not an easy task to do these days), dressed, live in warm barracks, and engage in service activities. I admit: There are cases of arms stealing and violations in the Army. There are also bad commanders. But this is a huge organism consisting of a great deal of people.

[Zelenina] The press has recently published accusations directed against you, alleging that the enterprise "Ukrainmash," run by you behind-the-scenes, engages in arms trade and that nobody cares about property of military settlements and military units subject to liquidation. This property is being pilfered and plundered.

[Shmarov] There are no ambiguities regarding this issue. It is perfectly clear, because we managed to establish a more or less normal and controllable system of selling spare property both on domestic and foreign markets. We have a competent state commission of experts, a license commission, and necessary legislation. All this has been done during my tenure in the government. Yes, we worked hard, but the system we created is run by the state. Someone probably wants to impute to me involvement with a private structure. The "Ukrainmash," however, is a state organization subordinated to the Machine Building Ministry. It also acts as a middleman between the Defense Ministry and the market, conducting marketing and commercial activities. Revenue — less commercial balance [komertsiyne saldo] — coming from sales of "spare" military property are, naturally, returned to the state. They are going to the Finance Ministry's accounts and being used to finance Defense Ministry projects — primarily those concerning social problems.

[Zelenina] They say that the civilian defense minister of Poland had to resign over his disagreement with the

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General Staff. What are your relations with the General Staff?

[Shmarov] Normal ones. Of course, there are controversial issues, but they are part of the usual work process. Military people display a lot of conservatism on many issues. In some cases, you have to persuade or even teach them about basic economic matters of the Army's operations.

Vice Premier Shpek Views Economic Policy

AU1907124395 Kiev DEMOKRATYCHNA UKRAYINA in Ukrainian 15 Jul 95 p 2

[Interview with Roman Vasylyovych Shpek, newly appointed vice premier for issues of economic policy, by Larysa Ostrolutska; place and date not given: "We Speak of Continuing the Policy of Reform and Not of Retreating From It" — first four paragraphs are editorial introduction]

[FBIS Translated Text] The government is increasingly acquiring a human appearance — quite a number of people approved by the presidential edict appear in it.

Roman Shpek's appointment as vice premier for issues of economic policy has given rise to particular excitement and exchange of opinions, as also did the ousting (temporary, as it turned out) of Viktor Pynzenyk from the vice-presidential ranks.

It appears that President Kuchma has not yet arrived at an ultimate conclusion as to how to use to the best advantage the talent of his young and long-time (since his premiership) partner in implementing economic reform. At any rate, there have now appeared several versions of Viktor Mykhaylovych [Pynzenyk's] future fate. As has become known, he was one of the claimants to the role of vice premier for issues of social policy. (One can hardly assume that he was born for this role). He is now proposed for the post of vice premier for issues of economic reform, even though this post looks more honorary than influential. Anyway, Roman Shpek's appointment as chief economic vice premier has indicated a change in the orientations of both the government and the president. This is the variant when the sum does change with the change of the items.

It is now not so easy to "identify" new ministers or vice premiers or their colleagues who are starting the second round: The mechanism of building up the government is at work. However, those journalists who accompanied the official Ukrainian delegation to the FRG managed to interview Roman Shpek in his new role as vice premier for issues of economic policy. It was his first interview in this capacity, as the news of signing the edict caught up with him when he was abroad.

[Ostrolutska] Roman Vasylyovych, you are not starting your vice premiership from zero, but from a certain reference point, which Ukraine has passed, but is not quite pleased with the results. How would you assess the tentative results?

[Shpek] We have taken our first steps in the economic reform. They may be viewed critically; certain achievements may be pointed out; and one may also focus on what has not been done. The president spoke about this in his speech in Uzhhorod. The policy of financial stabilization underlay the economic reform, and structural changes were accordingly introduced. We also promised this to international organizations that granted us credits. However, we only fulfilled our promises as far as they concerned stringent credit monetary policy and the curbing of the budget deficit. Little has been done in what concerns structural changes at microlevels. We undertook, jointly with banks, to take those 20 large enterprises which are inefficient in energy consumption and resource capacity, as well as those afflicted with serious social problems as a model for transformations, to draft business plans. And in this way, to work out models for various branches. Besides, it was planned to close down five coal mines — that did not mean rendering them lifeless. On the contrary, it was planned to create new jobs and resolve social problems. The financial source for such transformations was to be specified. In other words, we had to proceed beyond just curbing inflation. When people say that the IMF imposed such a policy upon us....

[Ostrolutska] It did not impose such a policy upon us?

[Shpek] It was our own choice, because it was vitally necessary. It is possible to achieve financial stability through stringent monetary measures. Unless there are structural changes, a rise in industrial efficiency, and a reduction in material expenditure, the problems with the balance of payments that can now be somehow handled will again confront us. The results of reforms must be reinforced by the results of changes at a microlevel and by the development of new industries. As is also stated in the presidential program, we will primarily start with the agrarian sector and the light and foodstuffs industry where the technological and production cycles are the shortest, where products are sold for cash, and where invested capital returns quickly.

However, we cannot help supporting those enterprises which are traditional exporters — the metallurgical and chemical branches. It is necessary to renew power engineering markets that the Soviet Union and, at early stages, Ukraine possessed in Eastern European countries.

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The policy of reforms must continue and not retreat from them. This policy must guarantee success in the future rather than a short-term one.

[Ostrolutska] Which of the accords reached in Germany will help us boost the economy?

[Shpek] We had talks with the leadership of the Ruhr Coal Concern, which had shown interest in cooperation back at the beginning of 1993, but at that time the venture was not further pursued. We agreed to sign a protocol on concrete cooperation in the coal industry. We are, in particular, interested in reorganizing the legal structure in the branch, diversifying production, and creating new industries that will make it possible to proceed smoothly from unprofitability to profitability. We also need to combine coal extraction with the production of thermal energy — our thermal power stations are in very poor shape. It is very important for us to introduce new technologies in power engineering. Here, both economic and ecological aspects are meant. It is a great power engineering reserve. The creation of a joint enterprise in coal industry was also discussed.

[Ostrolutska] However, in Germany, the coal industry is also very costly.... It is subsidized by the state.

[Shpek] A rich state can afford it. One should not focus on subsidizing, but on examples of transforming and raising efficiency of the branch.

At the negotiations, we also discussed the creation of a generally favorable climate for investing in Ukraine. Representatives of big business in Germany confirmed their understanding of Ukraine's important role in Europe — both now and in the future. As you know, protocols on intentions were signed with the "Daimler-Benz" firm, in particular, with its subsidiary "Daimler-Benz Aerospace," in the spheres of machine building, management of transportation by sea, and rebuilding of urban management. Within a month, proposals will be prepared for each specific area.

We used to say: We need credits, and we looked for money without thinking about conditions that were necessary for this money to be used sensibly. Believe me, if a business guarantees profit, there will be money. It makes no difference whether it comes from the north or from the south or whether it is greenish or red in color. There will always be money where profit is expected. It is another matter that we must create organizational and legal principles and have enterprises ready to implement these projects.

[Ostrolutska] How will you, vice premier for issues of economic policy, work with the vice premier for issues of industrial policy?

[Shpek] In peace and harmony.

[Ostrolutska] How will the spheres of influence be divided?

[Shpek] You see, these are remnants of socialist mentality. Everybody wanted to divide something. Let us create this something, and the people will divide it.

[Ostrolutska] Doesn't it seem to you that the straightening out of the deformities in the economic policy will make it impossible to maintain the level of budget deficit?

[Shpek] It is the sources of financing and not the size of the budget deficit that matter here. I would say, conversely, that the recent decisions place the executive power into the most stringent conditions regarding the fulfillment of the budget. Just 2 percent of its deficit will be covered with the National Bank's credits (it is 4 percent at present). We must develop the securities market, and the state must enter this market with its own securities. Besides, the National Bank's credit resources may be freed for the implementation of profitable projects that are capable of producing certain changes for the better in the structure of the economy. Therefore, hopes for increasing the budget deficit are ephemeral. On the contrary, more stringent limitations have been imposed. I believe that this is fair. We have other reserves to compensate for the deficit and to replenish the budget.

Government, Trade Unions Reach Accord on General Agreement

LD2007102095 Kiev Radio Ukraine World Service in English 0000 GMT 20 Jul 95

[FBIS Transcribed Text] According to UKRINFORM's correspondent in Kiev, a joint session of the government and trade union delegations in the Ukrainian capital has succeeded in reaching an agreement on all the clauses of the general agreement between the cabinet and trade unions. The lengthy document reportedly consists of 10 sections containing about 70 clauses related to the population's employment and welfare, guaranteed labor remuneration and its rates, labor relations, protection of human health and the natural environment, social partnership, denationalization, privatization, and similar matters. The general agreement is expected to be shortly submitted for signing to Ukraine's prime minister and the Ukrainian trade union federation leaders.

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Commentary on Newly Formed Government

954F2724A Kiev KIYEVSKIYE VEDOMOSTI in Russian 5 Jul 95 pp 1, 3

["VEDOMOSTI information": "Marchuk Plays Solo: Who Is the Composer of the Personnel Score?"]

[FBIS Translated Text] The wearying wait for the results of, to be blunt, the somewhat protracted process of formation of the new government has given way, it would seem, to disappointment. The painfully familiar cabinet has appeared before us in slightly refreshed form. What was happening behind the scenes of the long and excruciating consultations?

There is every reason to maintain that the arsenal of political weapons employed was very diverse. Professional qualities were taken into consideration, but there were also barter deals ("you look out for me, I'll look out for you") and haggling and pressure.

The first eye-catching detail: The new central executive authority is, as before, not oriented toward any specific political force. This could be termed a shortcoming on the one hand and confirmation of the weakness of the political parties on the other. So no one can guarantee the government an "amicable" relationship with the legislators. It is not without reason that the representatives of various political forces have expressed their unhappiness at the final list.

VEDOMOSTI correspondent Viktor Borzenko believes that, following the publication of the "new old" appointments to the Cabinet of Ministers, the attacks on the Constitution Agreement will intensify. Having abstained at the time of the vote on it, Volodymyr Mukhin, chairman of the parliamentary Commission for Defense and National Security, accused the president of a failure to keep his promises inasmuch as Kuchma did not coordinate the corresponding appointments to the government with the profile commissions of the Supreme Council.

The euphoria has subsided in the camp of the sponsors of the agreement also. Aleksandr Lavrinovich, one of its "founding fathers," declared: "The president had complete freedom to form the government and evidently believes that it can realize his program. Well, in this case both Leonid Kuchma and the government should bear the responsibility for its fulfillment."

As we know, the president instructed Yevhen Marchuk to form the government. Nonetheless, as many deputies observe, there are practically no Marchuk proteges proper among the new persons in the present version of the cabinet. What does this mean—total agreement with the candidates offered him, an absence of the necessary set of professionals, or simply the impossibility in the present situation of seating "his people" in the key chairs?

Most curious in the government solitaire was the distribution of leaders of the power departments. Volodymyr Mukhin openly termed weak in conversation with journalists the appointment of Vasyl Durdynets to the post of deputy premier for security and chairman of the Coordinating Committee for the Fight Against Corruption and Organized Crime in the Office of the President.

"Vasyl Vasilyevich has been 'hanging out' for several years in the structures of the fight against corruption," he stressed, "and I would very much like to know what has been done? I have the impression that the more the money that is invested, the more corruption and crime flourish. Perhaps we should not be funding this fight?"

There is an intriguing background to this appointment. The head of state initially offered the post of power deputy premier to Valeriy Malikov, (now former) leader of the Security Service of Ukraine. If this move was to be seen as a promotion, the president obviously placed a high value on the candidate's professional and personal qualities. The country's chief counterintelligence officer gave thanks for the confidence in him, expressing a wish to remain in his former office. But this was obviously not part of the plans of the composers of the "score." In any event, his removal seems illogical—has there ever been any other instance of a person who has turned down a promotion being dismissed altogether?

The president's desire to control the power departments and to individually appoint their leaders is perfectly natural and logical. Yevhen Marchuk has not disputed this, most likely. Yet?

Aleksandr Lavrinovich observed that eight known players of an 11- man team do not in themselves signify the predictability of the game itself. It is possible that the remaining three players will come and change both the game and the character of the team, he said. This was borne out by Volodymyr Mukhin also: "We have had just the first wave of appointments, there will be a second and a third also."

'Text' of Crimean Parliament Speaker's 19 Jul Speech

WS2007080095 Kiev INTELNEWS in English 0330 GMT 20 Jul 95

[FBIS Transcribed Text] Simferopol, July 19 — Newly elected Crimean Parliament Speaker Yevhen Suprunyuk addressed Parliament on Wednesday about the current situation political situation in Crimea. Here is the full text of his speech as received and translated by IntelNews later that day.

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The changes in the Parliament leadership obviously attracted attention not only in Crimea, but outside of its boundaries.

Many are worried about what really happened. I am convinced I should share my viewpoints on the situation. I think it was the longing for serious changes, the growth in understanding by deputies of their responsibility for what was going on in Crimea and for its future. Such an approach completely corresponds to my viewpoints, which I defended as a deputy and which I will defend as Parliament speaker.

We should cease further confrontation in Parliament, fights between factions and empty promises. We have already paid for the crisis, having lost much of what we attained in the past. We should exclude the territorial problem. I am convinced that the territorial problem and all speculations about it are not the interests of Crimeans. We should take real steps which enable all nationalities to have necessary living conditions to develop their cultures and contacts with relatives and friends who do not live in Crimea. Any other way may lead us to an inter-ethnic conflict and destabilization and affect the economic situation.

We should say with full responsibility that we will work within the legal framework of Ukraine, though not all of it corresponds perfectly to the situation on the peninsula and to Crimea's potential and interests. But any contradiction is to be solved by negotiation.

We rely on the support of the Ukrainian president, the government and Parliament to improve the economic situation and to find the mechanism for cooperation in Crimea between branches of power. All what we will do will be useful not only for Crimeans, but for the people of Ukraine as well. We must not harm Russian-Ukrainian relations, or relations with Russia or other CIS countries.

First of all, concerning economic problems, I am sure Crimea must become the region to introduce real reform for the people's interests.

Concerning our people: Only changes for the better will create the ground for stability on the peninsula.

Concern for the deported nations will help lessen the social tension in Crimea and will show the international community the human orientation of the policy of democratic Ukraine.

The meeting of the Crimean delegation with President (Leonid) Kuchma, Prime Minister (Yevhen) Marchuk and Speaker (Oleksandr) Moroz convinces us we can rely on the support of Ukraine in solving other Crimean problems.

Today, we should direct our efforts to restore order on the peninsula, to fight against criminals. We will control the activity of the law enforcement bodies.

I believe in the wisdom of those who make Crimean policy. I am sure they will understand us. We want Crimea to be a peninsula of concord, peace and prosperity.

Crimean Parliament Chairman Interviewed

WS1907134895 Kiev KIYEVSKIYE VEDOMOSTI in Russian 13 July 95 p 3

[Interview with Crimean Supreme Soviet Chairman Yevheniy Suprunyuk by Tatiana Korobova; place and date not given: "The Crimean Parliament Has Turned Into a Decorative Body..."; first paragraph is KIYEVSKIYE VEDOMOSTI introduction]

[FBIS Translated Excerpt] Crimean Supreme Soviet Chairman Yevheniy Volodymyrovych Suprunyuk was born on 25 September 1955 into a family of workers in Tuapse. He graduated from the Dnipropetrovsk Civil Engineering Institute, Higher Fire Engineering School of the Ministry of Internal Affairs, and the Law Institute of Odessa University. He worked as head of the State Fire Security Department. He is married and his wife is a journalist.

[Korobova] Do you feel like a winner or a kamikaze?

[Suprunyuk] The Supreme Soviet is the last vestige of Crimea's statehood. There are few people who still believe in our pre-election promises, but we cannot allow the final destruction of faith that we can find a way out of the present situation.

[Korobova] What do you mean?

[Suprunyuk] In a period of one year, the parliament has lost absolutely everything it received from the previous Supreme Soviet, headed by Mykola Bagrov. The notion of "Crimea's authority" began to disappear. The Crimean parliament turned into a merely decorative body....

All problems need to be solved based on the existing Ukrainian legislation, and it is useless to waste energy and time to prove the opposite. It is better to spend the energy to come to an agreement, both among ourselves and with Kiev. In addition, we need to work with Russia not on an amateurish level but through Ukrainian governmental structures. Everyone wants a confirmation from me: Can we speak about the victory of pro-Ukrainian forces and the defeat of pro-Russian ones? I would not put it so rigidly. Let us assume that the winner is common sense, and consequently, the residents of Crimea. Everyone needs stability. We need to work with the "Russia" bloc, which still has almost half of

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the legislative seats, and I promised to work with them without squabbles or intrigues.

[Korobova] In the history of Crimea and its Supreme Soviet, Mykola Bagrov will remain chairman and the first persona of the republic, Tsekov — simply Tsekov, and what about you?

[Suprunyuk] I will remain the speaker, whose main task is to organize and monitor the work of this complex mechanism.

[Korobova] What will you try to borrow from the experiences of Mykola Bagrov, and which of Tsekov's mistakes will you try to avoid?

[Suprunyuk] Mykola Bagrov knew how to work with people; he approached everyone individually. He saw a personality in each deputy — a personality that represented the electorate that believed him. However, Tsekov thought that the fact that he became head of the parliament and in the majority to remain his victory forever. The beginning of his end was his refusal to take into account the interests of all forces while forming the presidium. This triggered all of his later mistakes.

[Korobova] You are being reproached with ignoring the rising status of the Kurultay faction....

[Suprunyuk] The status of Refat Chubarov has risen, and he deserves this by virtue of his work and professional qualities. Nationality cannot be an impediment to his professional growth. In addition, Chubarov has assumed great responsibilities representing his nation in the parliament as deputy chairman of the Majlis and leader of the Kurultay faction. It seems to me that we will receive additional guarantees that the events of 25 June will not happen again.

[Korobova] What do you think about the press?

[Suprunyuk] I do not know yet. I understand though, that a pike in a lake keeps carp alert. Incidentally, I will raise the question to repeal the decision depriving journalist Grigoriy Ioffe of his accreditation at the very first session of the new presidium. I have already examined all documents. It is absolutely illegal when the presidium takes over functions of the judicial power. This error needs to be amended. [passage omitted]

[Korobova] Finally, if we manage to elect the presidium with three deputy speakers, what will come next?

[Suprunyuk] A trip to Kiev with the presidium members, meetings, contacts, negotiations — we have lost a lot of time, but we will catch up starting from the basics: Normalization of relations with the central authorities to improve our autonomy's conditions. Incidentally, an "autonomy" is listed in the dictionary as "self-government, independence in management." It is time to return the words their true meanings, while the key word in our relations with Kiev has to be one: agreement.

P.S. When this interview was being prepared for print, it was reported that the Supreme Soviet finally elected the presidium and three legislative deputies according to the list suggested by the speaker. The next morning, Yevheniy Suprunyuk and a group of presidium members left for Kiev.

New Crimea Speaker Characterized

954F2819A Simferopol YUZHNYY KURYER in Russian 14 Jul 95 p 1

[Article by V. Petrov: "So the Speaker Has Arrived. Will He Settle Our Disputes?"]

[FBIS Translated Text] The frequent blinking of the eyes that unexpectedly occurs among the broad masses, according to the diagnosis of sociologists, denotes either amazement, or confusion, or fright, or happiness, or intensive thought. In rare cases it illustrates the momentary presence of all the emotions listed above at the same time. It is exactly this kind of remarkable picture that we observe these days as residents of the autonomy are just beginning to get accustomed to the new FIO [last name, patronymic, first name] which has become a synonym of the position of speaker of the Crimean parliament—Suprunyuk, Yevhen Vladimirovich.

Given the opportunity, the average voter can recount a lot of interesting and detective-like facts about dozens of deputies of the Supreme Council. But not about Yevhen Vladimirovich. Thick newspaper files contain extremely sparse information about the people's representative, whose climb to the apex of power resembles man's breakthrough to outer space.

Nevertheless, today everyone knows that the speaker, who in the recent past held the post of chief of the republic administration of State Fire Protection, courageously extinguished fires on the territory entrusted to him and saved people's lives. According to his words, the collective had occasion more than once "to demonstrate courage and bravery, and I do not fear the high-flown word heroism." It turns out that the leader of such heroic lads is himself no exception, as is directly indicated by the medal "For Bravery in a Fire."

Also, Ye. Suprunyuk, while vigilantly monitoring dangerous fire situations, continuously experienced an unquenchable thirst for knowledge and studied the secrets of construction at an institute, and later studied law at university. Taking into account the Higher Fire-Technical School, he is today burdened with three higher educations, with which he differs favorably from

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the one-sided education of his colleagues. In addition to all this, Yevhen Vladimirovich went through 10 years of political-administrative hardening as a deputy on rayon and city scale in Simferopol, and this, as history teaches us, is an outstanding school for the development of a statesman.

In a moral and ethical context the speaker, according to his claim, professes trust in people. One of his favorite expressions is "the miser pays twice!"—which is generally true, although it also needs some interpretation. When Ye. Suprunyuk was running for the Supreme Council of Crimea he promised "to conduct and defend decisions aimed at....the creation in the Crimea of a free economic zone; dual citizenship; the return and settlement of deported peoples...." In the year he was a deputy in the communist faction of Agrarians he did not succeed in doing this; however, now he has an opportunity to put his own decisions into practice.

We will also not wrack our brains over what is meant by the agrarian-speaker's selection to posts as his deputies of A. Danelyan, a "reformer," R. Chubarov, a member of a "kurultay," and Yu. Podkopayev, a "Russian." But where are the proponents of the communist-kolkhoz idea toward which Ye. Suprunyuk is sympathetic? Despite the first opposition to the speaker on the part of the deputy corps he persistently obtains and obtained the approval specifically of the aforementioned gentlemen. But why?

The official life of the new chairman is not easy for the reason that he does not have steady support in the Supreme Council. The irreconcilable parties will within the limits of their wisdom now begin to pressure the speaker, each making its own demands. Will Ye. Suprunyuk's remarkable capabilities be enough to skillfully maneuver between the Scylla and Charybdis of deputy differences, to move forward, and to resolve the planned tasks?

Take, for example, the adoption of the new wording of the constitution of the autonomy. Despite the fact that Kiev, toward which Suprunyuk is favorably disposed, is persistently pressing for this, it is hardly advantageous for him to rush into this question now. The fact is that after ratification of the Basic Law by the Supreme Council, the Government of Crimea will become subordinate to the parliament of the autonomy. This means only that half of parliament will immediately undertake a sorting out with A. Franchuk's team, which was insubordinate in April. That is, once again a power crisis, and this means a new spiral of tension with the central authority. It is hardly likely that this is desired by the chairman of the Supreme Council who is also sympathetic toward everything and the prime minister of Crimea.

The positions of the speaker and parliament differ also on certain other questions of principle. The broad public generally already expects nothing good from the current composition of parliament, which, it seems, is not capable of producing even insignificant results. That is why Ye. Suprunyuk's restrained optimism is all the more intriguing with respect to the activity of the legislative organ. In this case the voters in any situation are doomed to the laurels of an extremely perspicacious electorate. If Ye. Suprunyuk copes with the situation, we knew whom we were electing, and we did not err. If nothing succeeds for him, we did not have any doubts regarding the Supreme Council.

Say what you like, it is good to be in the role of an unerring prophet. Only one thing is slightly disturbing: Besides this moral satisfaction, will something more substantial also fall to the wise people? In spite of everything there is in us an ineradicable hope for a master who will come without fail and, by hook or by crook, settle our disputes. Of all this, for the time being the one thing that is being realized most successfully is—"by hook or by crook."

Crimean Communist Leader: 'Early Elections Only Way Out'

AU1907153595 Kiev MOLOD UKRAYINY in Ukrainian 14 Jul 95 p 1

[Report by Volodymyr Prytula, MOLOD UKRAYINY special correspondent, from Simferopol: "The New Leadership of the Crimean Parliament"]

[FBIS Translated Text] After a third attempt, Yevhen Suprunyuk, a 39-year-old internal service colonel elected as new chairman of the Supreme Council of the Crimean Autonomous Republic, managed to form the leading bodies of the local parliament and have them approved by the deputies.

Last Friday [7 July] and last Monday [10 July] the Crimean legislators turned down the candidates for Ye. Suprunyuk's deputies proposed by him. However, the speaker persisted and offered his candidates for approval for the third time and in a complete list of 14 Crimean Supreme Council Presidium members. This time, 51 out of 71 deputies voted "in favor."

Yuriy Podkopayev, leader of the "Russia" faction; Refat Chubarov, leader of the [Crimean Tatar] "Kurultay" faction; and Anushevan Danelyan, member of the "Reform" faction, became vice speakers of the Crimean parliament. Of the 14 members of the Presidium (the chairman is the 15th), seven represent the coalition of the "Russia" and "Russia-Unity" factions, two the "Kurultay" faction, two the "Reform" faction, another two

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are independent deputies close to the "Reform" faction, one represents the "Crimean Agrarian" faction, and one — the "Republic" faction. However, representatives of the latter faction who had unsuccessfully insisted upon their leader Vladimir Klychnikov maintaining the post of deputy chairman of the Crimean Supreme Council stated that they had given up their seats in the Presidium and would not take part in concluding the interfaction accord.

Judging by the voting results, Ye. Suprunyuk, like his predecessor S. Tsekov, does not have a serious majority that could be relied upon. Besides, as one can see, the left-wing forces are not represented in the Crimean government, despite their relative success at the recent elections to the Crimean local power bodies. Therefore, it must be predicted that Communists will intensify their opposition activity. According to Leonid Hrach, first secretary of the Crimean Communist Party, despite the change in the leadership, the present Crimean Supreme Council is inefficient and the only way out from the situation that has taken shape is in early parliamentary elections....

Economic Issues

Official on Development of Nuclear Fuel Cycle

WS1907125795 Kiev HOLOS UKRAYINY in Ukrainian 11 Jul 95 p 1

[Unattributed report: "Ukraine Has Everything Necessary To Create a Nuclear Fuel Cycle"]

[FBIS Translated Text] Ukraine has everything necessary to create a nuclear fuel cycle, stated Nur Nihmatullin, first deputy chairman of the Ukrainian State Nuclear Committee, at a news conference devoted to the sixth "International Cooperation in Nuclear Development" scientific conference. The first conference was held jointly by the International Nuclear Association and the Ukrainian Nuclear Association in Moscow.

Almost 300 scientists and experts in the area of nuclear power engineering from various countries participated in the conference. Over a week in Pushcha-Vodytsya near Kiev, they discussed issues concerning cooperation in nuclear development and prospects for international cooperation in developing safe nuclear technologies, as well as preserving and reprocessing nuclear waste.

According to N. Nihmatullin, the issue of cooperation is very important for our state, since there are many achievements in the area of nuclear power engineering that can either be received or purchased. This will make it possible to expedite the process of creating a nuclear fuel cycle, for which Ukraine has almost all the essential elements — zirconium, uranium, technology, and what is most important, highly qualified experts. It was emphasized that the system of preserving spent fuel, which is being developed in our country, is less expensive than in Russia. The Russian side will also participate in the process of creating a nuclear fuel cycle. We are tightly linked to Russian technologies, N. Nihmatullin believes, so there is no need to severe ties in this area.

Project To Develop Aluminum Industry Detailed

WS2007091095 Kiev UKRINFORM in English 0652 GMT 20 Jul 95

[From the "Current Events" feature]

[FBIS Transcribed Text] Ukraine has begun implementation of its "Ukrainian Aluminum" program, under which a series of enterprises for producing semi-finished products from aluminum alloys are currently under construction. The projects includes the construction of the Zaporizhzhya and Vinnytsya rolled foil factories and the Pervomaysk rolled and pressed metal factory. According to the "Ukrainian Aluminum" program, Ukraine's demand for semi-finished aluminum products and aluminum alloys is about 250,000 tons per year, including future demand for aluminum foils and aluminum-based packaging materials.

Construction work on the Zaporizhzhya rolled foil factory began in 1995 and is being carried out by the Zaporizhzhya aluminum factory. The factory has a projected capacity of 16,000 tonnes of aluminum rolls and 20,000 tonnes of aluminum foils per year. The factory will be supplied with aluminum by the Zaporizhzhya aluminum factory. On July 27, 1993, the Zaporizhzhya aluminum factory signed a contract with Italy's Fata for delivery of equipment worth 71.6 million dollars intended for manufacturing aluminum foil. The factory deposited 7 million dollars as advance payment. The contract was signed within the framework of the 100 million-dollar credit line opened for Ukraine by Italy, in keeping with the terms of a Ukrainian-Italian intergovernmental agreement. The credits will be repaid through delivery of 14-millimeter smooth aluminum foils. Decoration equipment worth 60 million dollars was also delivered by U.S.'s Hunter (an affiliate of Fata). In addition, the Italian firm, Propezzi Continious, will install equipment for manufacturing 15,000 tons of 9- to 18-millimeter aluminum wire rods. The rods will be manufactured on order from the Zaporozhye transformer factory which has signed a 3 million-dollar contract with the Zaporozhye rolled foil factory. The equipment is due to be installed in mid-1996. As part of an economic assistance package, the United States government provided Ukraine with 500,000 dollars in

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1993 to be used by U.S. firms for preparing technical and economic plans for modernizing the Zaporizhzhya aluminum factory.

The Pervomaysk rolled and pressed metal factory has a projected capacity of 18,000 tonnes of aluminum sections, pipes, rods, and bars , as well as aviation aluminum alloys. The approximately 60,000 tons of aluminum that the factory will require per year will be delivered from Russia. Its basic equipment will be supplied by the Novokramatorsk heavy machine factory, while the Starokramatorsk heavy machine factory will supply a line with a capacity for manufacturing 30,000 - 40,000 tonnes of aluminum wire rods. Contracts for the above-mentioned equipment have yet to be signed.

When completed, the Vinnytsya rolled foil factory will manufacture 16,000 tonnes of aluminum rolls, 20,000 tonnes of aluminum foil (with thickness of 10 microns and more), and aluminum-based packaging materials per year. Pig aluminum (about 50,000 tonnes per year) is planned to be imported from Russia in exchange for alumina from the Mykolayiv alumina factory. Other options are also being considered. According to estimates, about 1,000 kilowatt-hours of electricity will be used in producing 1 tonne of rolled aluminum. Kerosene will be used as a technological lubricant in closed production cycles. An estimated 3,000 liters of kerosene will be used up per minute. Production profitability is estimated at 45 percent. Equipment worth about 120 million dollars is planned to be installed at the factory. Offers to deliver equipment for manufacturing rolled aluminum foils have been received from Fata, Clecim (France), Mannesmann Demag (Germany) Sumitomo (Japan) and other firms. However, order for the equipment has yet to be placed due to lack of funds. A rail track is planned to be laid to connect the future to the Vinnytsya railway station. Natural gas pipelines will also be extended to the factory.

'Sharp Drop' in Food Production Reported

WS2007092695 Kiev INTELNEWS in English 0330 GMT 20 Jul 95

[FBIS Transcribed Text] Kiev, July 17 — Food production experienced a sharp drop during the first half of the year, according to the Agriculture Ministry.

Production at Agriculture Ministry enterprises dropped 21.7 percent, when compared to 1994 in terms of comparable wholesale prices.

The production of meat and meat products fell 30.9 percent. The biggest decline in production was attributed to enterprises in Mykolayiv, Odessa, Rivne, Kharkov, Rivne [as received] and Crimea.

Production of dairy products dropped 46 percent, driven largely by a drop in consumer demand due to low wages.

In the first six months of the year, flour production decreased 10.6 percent, bread 11.1 percent, compared to the same period in 1994.

According to the Agriculture Ministry, a shortage of raw materials and the worsening financial situation of food processing enterprises led to a 46 percent drop in production of canned vegetables and fruit.

The volume of bottle feeding products for children was also down 46 percent.

Volyn Oblast Head Cited on Grain Output

WS1907141495

[FBIS Editorial Report] The newspaper URYADOVYY KURYER in Ukrainian on 15 July on page 3 publishes a 1,200-word interview with Vitaliy Zaremba, head of the Volyn Oblast Executive Committee, by UKRINFORM correspondent Zinoviy Zaremba titled "Volyn Is Ready for Harvesting." The interview is devoted to the current condition of agriculture in Volyn Oblast. Zinoviy Zaremba starts by emphasizing the role of agriculture for the local economy, saying that it accounts for 75 percent of the oblast's gross output. This year, however, heavy rains, winds, and hail "caused a considerable damage to crops," bringing its total amount to an estimated 1 trillion karbovantsi. The oblast executive chairman head goes on to say that with financial support from central authorities, local farmers are successfully coping with all the problems and even expect an 80-100,000-tonne increase in grain crops, compared with the previous year. He concludes by expressing the hope that this year will become a turning-point for the oblast's economy, which is now displaying the first signs of recovery.

Small Privatization Blocked at Local Level

954F2750A Kiev KIYEVSKIYE VEDOMOSTI in Russian 6 Jul 95 p 6

[Article by Lyudmila Stukalina: "The Program for Small Privatization Will Be Finished in 20 Years at Today's Rates"]

[FBIS Translated Text] A couple of days ago the Cabinet of Ministers of Ukraine deemed the implementation of the president's edict "On Measures for Accelerating Small Privatization in Ukraine" to be unsatisfactory. According to data from the State Property Fund [FGI], of the 22,500 facilities for small privatization earmarked by the state program for 1995, only 948 have been switched to private or collective ownership.

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FGI leaders think that small privatization is being blocked primarily by the local councils. The deputies are disposing of the property at their own discretion. In particular, in Sumy Oblast eight out of the 222 facilities scheduled for small privatization have been privatized. In Lugansk the local authorities approved 790 of the 1,106 enterprises envisioned by the plan. And the capital is setting a similar tone. Of the 1,787 facilities scheduled for small privatization, which are supposed to be taken out of state control, 482 were rejected by the Kiev Council, and 121—by the sessions of the rayon councils. "The Kiev Council prohibits the privatization of facilities that are municipally owned," the chief of the regional division of the FGI of Ukraine in Kiev, Vladislav Zburzhinskyy, told a VEDOMOSTI correspondent.

"The local councils could also undermine the execution of the State Budget for 1995. The 120 trillion karbovantsy expected from privatization, and a large part of this money is from small privatization, should augment the local budgets," stated FGI Deputy Chairman Aleksandr Bondar at a recent news conference. "But with these rates of destatization, the receipt of monetary funds in such a volume is simply unfeasible."

"Bureaucrats and directors of institutes and plants are parasites on state property today," noted FGI Chairman Yuriy Yekhanurov at a recent meeting of workers of rayon FGI offices in Batutinskiy Rayon. "In places where production is being curtailed, the premises are being leased to commercial structures and they keep the money for themselves and instead of transferring it to the state budget."

In the fund they think that resistance from the deputies is the main reason for the delay. The technology for small privatization has not been worked out either. By Yu. Yekhanurov's admission, the lack of a unified system of privatization organs has taken its toll. The president's edict on commercialization has essentially not been carried out: The rayon grocery stores, dining room trusts, and so forth were not separated either, but were privatized all at once. True, in V. Sburzhinskiy's words, the FGI shares the blame for this since it dragged out the development of methods, and the prolonged procedure for approving the normative documents in government offices exacerbated the situation even more.

But the normative base for small privatization not only exists but also makes it possible to actively carry out the change of ownership. In Mariupol they have already managed to turn 70 percent of the facilities earmarked for destatization over to private and collective ownership.

The only open and available means of privatization is competition, auctions, where the market price of the enterprises is formed. But for some reason they are being avoided in Kiev. And enterprising people are magnanimously stealing state property out from under the nose of the State Property Fund.

A. Bondar gave me one example of this. When FGI specialists decided to privatize the Mlin restaurant it turned out that the state had no share left in the ownership. Workers of the restaurant according to the law created a collective of renters, rented the property, and then placed their shares in a joint venture—and there was nothing left to privatize.

An FGI worker who wished to remain anonymous related 33 other legal ways of "pilfering" state property. In particular, the well-known Roksolana firm leased the premises at 3 B. Khmelnitskiy Street, and did capital repair which today is valued at more than the leased premises. It will be very difficult to privatize it now. At one time the consumer service administration received land from the state to construct a building. The construction project was started, but there was not enough money, and the administration concluded an agreement for shared participation of several firms in the construction and reconstruction, which is not against the law either. But now it is impossible to separate out their share of the ownership. Moreover, the administration has already been abolished. The scheme is simple: One of the types of agreement is drawn up—for shared participation in construction, for investment, for joint activity, but the essence of all of them is the same—the partner (firm) invests money and receives a share of the ownership without participating in competitions or auctions where it would be necessary to buy at a competitive price, that is, a considerably higher one.

As a result, the businessmen do not have equal conditions.

In the meantime the Cabinet of Ministers is preparing a decree and a memorandum for the president's signature concerning filing charges against officials for failure to implement the edict "On Measures for Accelerating Small Privatization in Ukraine." At these rates it will take another 20 years.

Planned Housing Price Hikes Moderated

954K0640A Kiev URYADOVYY KURYER in Ukrainian 4 Jul 95 p 6

[Comments by Viktor Kalnyk, deputy minister of the economy, recorded by Volodymyr Ilchenko; place and

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date not given: "Once More About Consumer Prices and Rates"]

[FBIS Translated Text] Last week the government considered the question of the prices and rates of housing and municipal services provided to the public. Viktor Kalnyk, deputy minister of the economy, describes the changes made in the previously approved decisions on these issues:

As a consequence of the analysis conducted by the Ministry of the Economy, the Ministry of Finance, and ministries concerned with the social safety net, the government adopted a decision to slow down the rate of increase of housing and municipal services rates.

Today, the public pays 30 percent of the cost of these services, while the state subsidizes 70 percent. In accordance with the decisions adopted earlier, this ratio was to change as follows: as of 1 July—40 to 60 percent, and as of 1 September—60 to 40 percent, respectively. Calculations showed that neither the state budget nor the Pension Fund would be able to handle the application of practically the entire population to the housing subsidies service. Moreover, the "productive capacity" of this service is also limited, as experience has shown. At present, the mechanisms of wages, pensions, and other additional payments are inadequate to pay the full costs of housing and municipal services.

Should the rates increase as originally planned, it would be necessary to pay out an additional 60 trillion karbovantsi from the budget through the housing subsidies services. Budget outlays to subsidize these services, based on the fact that 40 percent of these costs will be compensated by the public as of 1 September, will amount to 38 million karbovantsi.

Therefore, the government passed a decision to postpone the date for raising housing and municipal services rates from 1 July to 1 September. It was decided to examine future changes in the proportion paid by the public as compared to that paid by the state in combination with monetary reforms.

The 40 percent that the public will be paying as of 1 September means that rates will increase 1.4-1.5-fold.

How will this hike affect inflationary processes? In our country, housing and municipal services along with other paid services make up nearly 10 percent of the structure of consumption. Thus, they have an insignificant effect on the level of inflation. Despite the fact that rents on apartments were increased 1.8-fold as of 1 June, the level of inflation in June is not expected to be any higher than in May—that is, up to 5 percent. Raising wages in the budget sphere by 15 percent and pensions, payments, and assistance by 30 percent and the fact that the wages of those not paid out of the budget are rising will make it possible to change the prices and rates of housing and municipal services without a rise in inflation.

As we know, the state does not subsidize electric power and natural gas rates. All the costs are shifted to industry. As of 1 May, a stable rate calculated in dollar equivalents was set for industry, and this rate will not change all year. The only sphere in which the cost of electric power and gas does not correspond to the real price is in the supplies provided to the general public. Thus, the public pays 30 percent of the cost of housing and municipal services, 30-50 percent of the cost of gas consumption, and 100 percent of the cost of electric power. The only flaw in the electric power rates are the benefits, which are also shifted to industry. In some cases, subscribers use 2,500 kwh (usually a family uses up to 300 kwh).

As of 1 July, the cost of gas to consumers who have gas meters has increased only 10 percent. For those who do not have meters, it has risen 1.5-fold.

The average cost of gas per person if there is a gas range in the apartment will increase approximately by 15,600 karbovantsi. If the apartment also has a water heater, the increase will amount to 26,200 karbovantsi, and if there is gas heating (calculated per room)—249,400 karbovantsi.

A change in the cost of city transportation is expected as of 1 July in 10 regions. The price of a fare will reach 10,000 karbovantsi. To be sure, many fare benefits will remain. The cost of passenger and freight transportation is increasing by 20 percent.

Most of the changes in the prices and rates were anticipated and were included in the state budget. Thus no price revolution is expected. On the contrary, the planned increases in the cost of housing and municipal services have been moderated and slowed down.

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Moldova

Moves Toward 'Reasonable Compromises' With Dniester

MM1907131195 Moscow PRAVDA in Russian 19 Jul 95 p 2

[Report by Arkadiy Pasechnik: "Not All Bridges Built Yet. Fate of Dniester Region Is Our Common Fate"]

[FBIS Translated Text] Tiraspol-Chisinau — Even three years after the bloody carnage not all the destroyed bridges across the Dniester have yet been restored. Russian peacekeeping forces are still here. Politicians in Chisinau and Tiraspol are still full of recirpocal recriminations and insults. But time, the best healer, is doing its invisible work here. Step by step both sides are moving toward reasonable compromises, the only possible way of settling the Dniester conflict once and for all.

These moves include the recent meeting in the suburbs of Tiraspol between Moldovan and Dniester leaders Mircea Snegur and Igor Smirnov. They signed an agreement on peacekeeping and guarantees of security in the region, in which the sides pledge in particular not to use military force against one another and not to exert mutual political, economic, or other pressure.

But, as local mass media commentaries on the meeting point out, the noticeable warming of these contacts has not eliminated an obstacle which it has not as yet proved possible to transcend — the political model for the complete elimination of the problem. Albeit within the framework of a united Moldova, this model is nonetheless seen in different ways on different banks of the Dniester. Chisinau is basing its proposals on broad self-government for the Dniester Region. Tiraspol is pressing for a treaty-based system of relations, in other words for an autonomous formation in effect. Most analysts assume that a final solution will be found somewhere between these extreme views. During the above meeting an agreement was signed on relations between the Moldovan and Dniester monetary-credit systems. The Dniester people finally agreed to break their coupon's hegemony and allow the Moldovan lei as a parallel means of payment.

A few days ago, following the leaders' meeting in Tiraspol, industrialists, entrepreneurs, and bankers gathered in Beltsy to discuss specific means of closing the economic gap between the sides and formulating and operating the only possible general concepts for economic activity in the new difficult conditions. It is appropriate to note the presence at this representative business forum of Moldovan Parliament Speaker Petru Lucinschi and his Dniester counterpart Grigoriy Marakutsa. They did not of course travel to Beltsy just to give extra luster to the event. Experienced politicians realize that economic bridges are the most reliable.

Political Parties Comment on PRCM Creation

AU1907135195 Chisinau BASAPRESS in English 1930 GMT 18 Jul 95

[FBIS Transcribed Text] Chisinau BASAPRESS 18/7/1995 — Representatives of Moldovan political formations have different opinions on the creation of the Party of Revival and Conciliation (PRCM) whose leader could become President Snegur. The first secretary of the Moldovan Communist Party (PCM), Vladimir Voronin, declared to BASA that the emergence of the PRCM had no sociopolitical necessity; it was rather a means to maintain certain political leaders at power. In his opinion, the party's name could be not quite conclusive "as it could not correspond with the goal the leaders of this formation propose themselves," Voronin said. He also said "the creation of the PRCM and Party for Social Progress (PPSM) concludes the process of occupying electoral segments," saying these parties will not be able to recruit many voters from the niche that belonged to the PCM. The vice president of the United Democratic Congress (CDU), Anatol Dubrovschi, stated to BASA the emergence of the PRCM was, on one hand, "a response to the requirements set by different European organizations" for obtaining credits, but on the other hand, a modality to keep the current politicians at power. "The reshuffling of political forces is a result of the failure policy pursued by the ruling party and an attempt to shirk responsibility," Dubrovschi pointed out. In the same context, Dubrovschi said the PRCM, essaying to become a centrist formation, is detached from the reality as the middle class that should be represented by a centrist formation has not yet formed. The Christian Democratic Popular Front (FPCD) Alliance did not make public its attitude toward the creation of the new party.

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The founders and supporters of the Party of Revival and Conciliation declared "this political formation will absorb the centre of the political spectrum after the Agrarian Democratic Party of Moldova (PDAM) digressed to the left," the newspaper MOMENTUL stated. Qualifying this "argument" as "unilateral," MOMENTUL underlined "the PDAM has not declared yet its leftist move so it continues to consider itself a left centrist party." According to the newspaper, "the reviving empire... could bother the rightist opposition which has taken on this task since it was dangerous to do that... The reconciliation is also among the Social-Democrats' aims. Is is all a totally different type of rebirth and reconciliation?" wonders the newspaper adding "it would be a bit surprising that our people filled with political apathy desired to deal with politics again."

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Kazakhstan

Elements of Draft Constitution Criticized

954F2780A Almaty EKSPRESS-K in Russian 13 Jul 95 p 3

[Article by Tulegen Askarov: "A Constitution of State Craftiness or State Wisdom?"]

[FBIS Translated Text] The present draft constitution contains a great many truly historical aspects. The spirit of France—homeland of the Great Revolution—stirs within it, and not just because French experts participated in its drafting. Any doubts that this might be a constitution of authoritarianism, even of the enlightened variety, are immediately refuted. Unitarianism and the presidential form of rule still do not constitute authoritarianism. This is instead a constitution of changes, for which the end is not yet visible, as is the case for any healthy society. The head of state greatly astonished society when he inserted into Article 5 of the draft a rejection of any state or mandatory ideology. Over the course of several years of independence, considerable fuss has been made over this issue. Everyone has wanted to know what objectives the young state would set for itself, what kind of society would be created in Kazakhstan, how a citizen of Kazakhstan would differ from a citizen of the disintegrated USSR. Our statehood turns out to be so young, however, that such fundamental questions are simply premature. Too bad. State ideology contains within itself a great deal, including patriotism, respect for the state and its history, everything that falls under the term "sovereign power." Pursuing this logic, it is proposed to prohibit the establishment of party and trade union organizations in state organs, to prohibit the merging of social and state institutions (also in Article 5). However, we sense a certain amount of craftiness and absence of realism here. After all, to date the process of reforms in the country, including the establishment of new parties and movements, has required direct support and personal participation on the part of the highest responsible officials of the state. It is these individuals who are most experienced in political matters. All the major parties were established with support from the head of state, while Kazakhstan's highest state officials stand at the helm of the Democratic Party and PNEK [People's Unity of Kazakhstan Party]. There is no need to abolish state participation in the construction of a new society and it is unrealistic to do so. At the same time, the authors of the draft positioned a unique buffer in Article 23, permitting the participation of state employees (with the exception of the military, National Security Committee personnel, personnel of law enforcement organs, and judges) in political parties. But here we can only sympathize with the trade unions—the draft proposes that all state employees be prohibited from participating in them or even from showing support.

There is nothing earthshaking here. Trade union activity is always restricted during market reforms, and at times the unions have even been disbanded. In this sense, our new constitution is based on individualism and the market. Article 18 of the draft altogether prohibits the collection, keeping, use, or dissemination of information on a citizen's private life. But we can assume that the law enforcement organs will not lose heart over such a passage—after all, private life is not limited to personal investments, correspondence, and telephone conversations. But confidentiality of savings reliably shields the primary accumulation of capital. This is fine when we are all known to be innocent and untouchable, while our honor and dignity are flatly protected by the Constitution. But one thing is not understandable—why was it necessary to use separate wording to protect the honor and dignity of the head of state in Article 46? His honor and dignity are protected as a citizen by Articles 17 and 18 of the draft.

Article 26 of the draft constitution sounds like the anthem of private ownership. It states that any legally acquired assets of citizens of the country may be privately owned. The horizons of the market economy thus become boundless. Just legally acquire a squadron of military aircraft somewhere, for example, and conclude a contract for defense of the airspace. This premise is as good as it is far-removed from reality.

Some existing state institutions will suffer seriously from the new constitution. The vice presidency has almost disappeared entirely from our future. The speaker of parliament also disappears—two chairmen of the chambers being designated to replace him (Article 58). Apparently, Russia's experience with its mutinous vice president and speaker has had an influence on the authors of the draft.

The wings of the parliament are clipped overall—Article 61 does not even allow laws to be introduced for examination which envisage a reduction of state revenues or increased state outlays, without a positive governmental finding. Truly, one gets the feeling that the executive authority is violating civilized boundaries of jurisdiction here between the branches of authority. Certain "UFO's" have even appeared in the draft: an accounting committee for monitoring republic budget implementation, the Supreme Judicial Council, trained collegiums of lawyers, even former presidents. In short, the future state machinery appears somehow ambiguous and unfamiliar in the draft. The only thing that provides consolation and instills hope is the fact that individuals familiar to us remain at the controls, and that things will

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become somewhat clearer in the country on the eve of the next referendum.

President Status Under Draft Constitution

954F2804A Almaty KAZAKHSTANSKAYA PRAVDA in Russian 14 Jul 95 p 2

[Article by Talgat Donakov, candidate of legal sciences: "Above the Branches of Power: On the President's New Constitutional Status"]

[FBIS Translated Text] A most important question of the impending constitutional reform is the improvement of the institution of the presidency. It should be considered here that in the past five years Kazakhstan has in its constitutional development unswervingly moved in the direction of a presidential form of rule. The office of president was established for the first time within the framework of the Constitution of the Kazakh SSR. Then the base elements of a presidential republic were defined in the 1993 Constitution of the Republic of Kazakhstan, but it was never formed conclusively.

In the draft new constitution Section Three is devoted wholly to the status of the president. A presidential form of rule shall be established in Kazakhstan, according to the draft. Its most important condition is the legitimization of the power of the head of state by way of his popular election.

As we know, according to the basic law currently in effect, the president has a two-in-one political and legal status—he is simultaneously the head of state and head of the unified system of the executive.

How far, let us ask, has the presidential form of rule "built into" the structure of the executive justified itself? Prior to 1994 this was essential inasmuch as we were at the initial stage of constitutional development, when the strict centralization of command authority was required to ensure the manageability and stability of the fledgling state. Now, when the republic authorities have, on the whole, assimilated the entire complex of the latter, including that which had previously belonged to the Union state, and when market transformations have progressed in the country, the need for this concentration of managerial functions in the same hands has passed.

In addition, the tilt toward realization of the powers of the president as head of the executive that has been observed throughout recent years has led to his clearly being overburdened with managerial authority, which has complicated the president's discharge of the functions of head of state. These things should not be forgotten.

It may be affirmed today that the attempt to create in Kazakhstan a presidential republic within whose framework executive power is concentrated in the hands of the president was historically without foundation since it was based on short-term trends which are now played out. The point being that in countries with a developed market economy the president does not deal with specific questions of economic management, deciding merely macroeconomic problems, which enables him without undue complications to discharge together with the powers of head of state the functions of head of the executive also.

It is for this reason that, starting last year, a policy was adopted which involved the president's further detachment from the executive bodies, the logical continuation of which is to be the president's constitutional release from the functions of head of the executive, which will enable him to concentrate fully on determination of the guidelines of domestic and foreign policy, the personnel policy of the state, and supervision of the activity of the organs and institutions of the state.

A factor prompting renunciation of the powers of head of the executive is the need for the endowment of the president with the status of supreme arbiter in the state. The point being that under the conditions of the growth of political diversity in society and the increase in its social heterogeneousness the president has to be neutral and absolutely objective. This may be assured only by way of the withdrawal of the head of state from the system of the separation of powers. That is, the president should be a political figure equidistant from all branches of power and rising above them. Only in this way can the president, as supreme arbiter, bring together into one all-state channel the interests of the competing political forces in society and by his high status personify the whole country.

In addition, under the conditions of the separation of powers the task of the assurance of the unity of state power and the concerted operation of all its bodies is more urgent than ever, and this also is possible only under the conditions of the president's acquisition of the status of supreme arbiter. This, in turn, may be achieved on condition of his withdrawal from the system of the separation of powers, which is potentially fraught with conflict situations.

For this reason the draft new constitution no longer endows the president with the status of head of the executive, simultaneously acquiring arbitration functions. According to the draft, the president is described as head of state and its highest officer. He is the symbol and guarantor of the unity of the people and state power, the permanency of the constitution, and the rights and liberties of man and citizen.

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As the head of state, the president determines the main directions of the country's domestic and foreign policy. It is proposed concentrating in his hands here decisive authority in the sphere of international relations.

Being popularly elected and representing the people of Kazakhstan, the head of state is naturally endowed with the right to address an annual message to the people of Kazakhstan; adopt a decision on a republic referendum; approve state programs; form under the president the Assembly of the Peoples of Kazakhstan; and decide questions of citizenship, the granting of political asylum, and the granting of pardons for the citizens.

Under the conditions of application of the principle of the separation of powers, the delineation of the powers of the state authorities is the most complex. After all, life is so multifaceted and fast-moving that it is simply impossible to set out jurisdiction "strictly shelf by shelf," as they say. There is no need to go far for examples. Law-making activity, for example, is the lot not only of parliament but of the president and the government also.

There arises in this connection the question of the constitutional establishment of the institution of the delegation to the president of the legislative function, in accordance with which the president is entitled within a certain period of time to promulgate laws. The fact that a bicameral parliament, toward the establishment of which we are headed, is as yet "uncharted virgin land" also speaks in favor of such a decision. Turbulence and difficulties and mistakes and aberrations are inevitable en route to the formation of the latter. A parliament in the formation phase cannot rapidly tackle all questions of a legislative nature brought about by the fast-moving course of economic reforms, with whose dynamics it will simply not keep pace. For this reason the state must be insured against such excesses, having an opportunity for a prompt legislative response to the rapidly changing socioeconomic situation in the country.

Despite the contemplated abandonment of the status of the president as head of the executive, he will exert a decisive influence on the formation and activity of the executive authorities headed by a government which is accountable and answerable to the president.

As the head of state and its highest officer, the president is rightly endowed in the draft with powers enabling him to provide for the country's defense capability and security.

The elevation of the president as the head of state above the branches of power affords an opportunity for him to be endowed with powers exerting a decisive influence on personnel policy in the system of the courts and the National Bank.

The head of state will exercise his powers by way of the promulgation of edicts and directives binding throughout the republic.

The president's acquisition of the functions of supreme arbiter and his withdrawal from the system of the separation of powers enable the head of state to be endowed with supplementary powers, the constitutional right to dissolve parliament included. As we know, this proposal was made repeatedly in the period of preparation and adoption of the constitution that is in effect currently, but was not adopted at that time. The draft endows the head of state with the right to dissolve parliament early following consultations with the prime minister and representatives of the chambers or in the event of parliament's expression of a vote of no confidence in the government.

It is this institution that could give rise to heated argument. There could be censure as regards the undemocratic nature of this step. But there is such an institution in many countries which it is customary to classify as democratic. Let us address the experience if only of France, Italy, and Japan, whose constitutions specify the possibility of the dissolution of parliament. What lack of democracy are we talking about if parliament also, according to the draft, is endowed with the right of early termination of the powers of the president?!

Why were these constitutional institutions established? Primarily to strengthen the system of checks and balances. This is the first point.

Second, the institution of the political responsibility of both the deputies and the head of state is introduced. And this is a correct step inasmuch as everyone should under the conditions of the building of a democratic state based on the rule of law bear his share of constitutional responsibility.

Third, the right of the head of state to dissolve parliament is an integral part of the set of his arbitration functions insofar as the president will, should conflict situations arise between the government and parliament, if the use of conciliation procedures does not achieve its purpose, have either to dismiss the government or dissolve the corps of deputies and call new elections. The institution of the dissolution of parliament, therefore, should be seen not as a sword of Damocles raised over the deputies but as a means of the resolution of crisis situations and as a brake on the path of a destabilization of the situation in the country on account of possible disagreements between organs of state power.

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As far as the objective nature of the president's political choice when deciding such serious questions as the dissolution of parliament or the early termination of the authority of the government is concerned, the president is above the branches of power, and the draft constitution clearly defines the grounds and the procedures of the dissolution of parliament.

The draft specifies for the first time the possibility of the early release from office of the head of state in the event of a persistent incapacity owing to illness for discharging the obligations of president and also the possibility of the dismissal from office of the head of state. Only one basis is established for the question of dismissal of the president from office being raised—treason. The question of dismissal (impeachment) of the president is of exceptional significance for the state, and this is why quite a complex procedure of the formulation and solution of this question is proposed.

To prevent a vacuum of state power the draft provides for the discharge of the obligations of the president by the prime minister, and if he cannot, the chairman of the Senate.

The draft establishes guarantees ensuring for the head of state his unimpeded and full exercise of his constitutional authority. First, it is specified that the president and his honor and dignity are sacrosanct; second, the support, service, and protection of the president and his family shall be at public expense.

In addition, former presidents will have the title "ex-president of the Kazakh Republic."

Thus Kazakhstan truly needs the status of its president which is specified by the draft new constitution. This will enable the head of state to take steps unhindered and regardless of socioeconomic and political conditions to strengthen the state, conduct reforms, prevent conflict situations in society and the state, and enhance the prestige of the republic in the international arena.

Party Holds 'Roundtable' on Constitution

954F2806A Almaty KAZAKHSTANSKAYA PRAVDA in Russian 14 Jul 95 p 1

[Article by Raisa Dobraya, KAZAKHSTANSKAYA PRAVDA: "People's Cooperative Party Discussed Draft Constitution at Roundtable"]

[FBIS Translated Text] The People's Cooperative Party organized a roundtable to discuss the draft of the Basic Law of the Kazakh Republic. Scholars and representatives of the president's apparatus were invited to attend.

Various viewpoints, sometimes sharply opposing ones, were expressed. Thus, for example, it was noted that it is being proposed that this Constitution be adopted in a society where communist traditions are still alive. That is, our political system was inherited from the past to a certain degree and the majority of the population is conservative, as are their leaders. Therefore the newly developed Basic Law, they say, lacks the liberal-democratic elements inherent in documents of other countries.

They went through the draft literally point by point and it was suggested that a number of articles be edited. Criticism was leveled particularly against Point 4 of Article 30: "Education shall be under state supervision."

In any civilized country, it was stated at the meeting, oversight of education cannot be achieved. It must be under the protection of the state.

Point 2 of Article 45 says that in exceptional cases envisioned by Subpoint 4 of Article 53 of the Constitution, the president of the Kazakh Republic shall publish laws of the Kazakh Republic. The scholars tried to clarify which cases specifically, but the answer to this question could not be found in the draft constitution.

In Article 15 it is noted that everyone has a right to life.

God grants us the right to life—it was heard at the roundtable— but the state must protect and guarantee it; this is its main function. Just as it must provide for and guarantee protection of health, the environment, etc.

A large debate was evoked by the question of property. Some thought that the land should be turned over to private ownership completely, while others did not agree with this. That is, no unanimous opinion was reached. But many were unanimous in their fear that the power would be concentrated in the hands of one individual and the role of parliament would be reduced to the functions of a legislative assembly.

But at the same time there was also expression of the viewpoint that Kazakhstan is by no means deviating from the world tendency by increasing the executive power. And strengthening the president's power will not lead to usurpation, since the Constitution clearly provides for restraint mechanisms.

Representatives of the president's apparatus, namely the Human Rights Commission, emphasized that first it would be necessary to approve the Human Rights Declaration, as has been done, for example, in France and America, and then adopt the Basic Law.

Incidentally, they discussed the fact that they are working on the draft of a comprehensive state program which

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will possibly play a role in the Human Rights Declaration in Kazakhstan.

At the meeting a great deal of attention was also devoted to the articles about treason (it was suggested that they define the group of crimes that would be regarded as treason), the right to work (it was said that it was impossible to grant the freedom to work without first granting the right to it). There was also discussion of the question of a unified state ideology—should it be reflected in the Constitution or not?

Need To Discuss Constitution Cited

954F2805A Almaty STOLICHNOYE OBOZRENIYE in Russian 13 Jul 95 p 4

[Article by Mikhail Ustyugov: "The Constitution Is Not Rubber. And It Cannot Be 'Stretched' to Cover All Interests"]

[FBIS Translated Text] The draft of the new constitution has already been an object of constant attention of analysts for 10 days. The most diverse opinions are being expressed: from wholesale rejection to magniloquent praise. Something else is alarming: According to the figures from sociological polls, the citizens are not counting very much on having their opinions taken into account. For many of them the power is separate and remote from the people and operates according to its own scenario that is determined in advance. For instance, if it is envisioned in this scenario that the Basic Law will be adopted during the course of a nationwide vote—that is what will happen. So is there any point in actively discussing it? I think it should still be discussed. Although the scenario does indeed exist—no reasonable power can operate without it.

Soft Landings on Sharp Needles

The preamble to the draft is more realistic than the one in the existing constitution, where the second line—"being an inseparable part of the world community"—sounds more arrogant. The replacement with "wanting to occupy a worthy position in the world community" is a typical indicator that we are entering a stage of sociopolitical maturation.

The third line, around which many polemical swords have already been broken, sounds different as well—"based on the unshakable Kazakh state." The appearance of these words in the present Basic Law is understandable: It was the beginning of 1993, a little more than a year ago they had adopted the law on state independence of Kazakhstan, and therefore the subject of national statehood was perceived with special emotion.

But 2.5 years have already passed and reasonable questions have arisen: Are we building as ethnic state, and if not, is it right, when speaking about statehood, to give this category an ethnic description? Perhaps it would be more expedient to speak about Kazakhstan's statehood, implying that the republic is a state not of one ethnic group but of an entire people? This is indicated by the first words of the Constitution: "We, the people of Kazakhstan...."

In the draft they have found what in my view is an optimal version: "creating statehood on the ancient Kazakh land." Who is creating it? The people, the people of Kazakhstan. There are no hosts and guests among them—we are equal in our rights, and only this equality can provide the best future for the republic.

This aspect is also emphasized in the first article of the draft, which indicates as one of the fundamental principles of the activity of the Kazakh Republic "Kazakhstan patriotism."

The only thing that does not sound quite right is the initial part of the draft—it is the declaration of Kazakhstan as a "social" state. If that had been stated in Sweden or the United States, where many social problems have actually been solved, it would be understandable. But in our republic the social sphere is still degraded. And many people simply will not understand this definition of the state.

A great deal of freedom to maneuver is allowed by the article pertaining to ownership of the land. In the present Constitution it sounds uncompromising after the Bolshevist manner: "The land, its minerals, the water, the vegetable and animal kingdoms, and other natural resources are exclusively state owned."

But the draft contains a "mild" version which allows the diversity of forms of ownership that was declared before this: And everything around belongs to the state, both the land and the water, but it can be private "on grounds, under conditions, and within limits established by the law."

Which law? Apparently it will have to be adopted by the next parliament. The president has already made a statement about this: In his opinion it is premature to allow a market for active purchase and sale of land in the republic but it is necessary to grant the right of private ownership to gardeners who own plots of land and the owners of industrial facilities, including foreigners. For instance, let Philip Morris buy for private ownership the piece of land on which its new factory will be located near Almaty—we will not be any worse off without that land and the foreign investor will feel more confident in Kazakhstan. The draft also resolves fairly "mildly" the question of the status of the Russian language. It has not become the state language but it is not

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longer called the legally vague "language of interethnic communication." Article 7 contains a clear wording: "In state organs and organs of local self-government the Russian language shall be used officially on an equal basis with the Kazakh." Understandably, in the next few years and even decades the significant difference in the "relative weight category" of the two languages will remain. But it is possible to equalize their "weight" only with the help of positive incentive, only through evolution, without attempts at administrative pressure. The prohibition against restriction of the rights and freedoms of citizens according to the indicator of whether or not they know the state language or another language, which has been preserved in the draft, is of fundamental importance.

Additionally, it is indicated in the last section of the draft that "local representative and executive organs shall be obliged to create all the necessary organizational, material, and technical conditions for free and free-of-charge mastery of the state language by all citizens of the Kazakh Republic in compliance with the special law." This is the only possible path, but a shortage of budget funds could be an obstacle on it—for in reality nothing is ever free of charge and, generally speaking, studying language is a fairly costly pastime.

Is It Worthwhile To Guarantee Income At $4?

The draft dots the "i's" regarding many disputed issues. We have, for instance, a law on state secrets, but what is secret and what is not—this we do not yet know since the list of secret information compiled in the government two years ago is classified itself. The Ministry of Information and the Press tried to turn this list over to the press in its actual wording but they were not enthusiastic about it, seeing it as an attempt at departmental censorship.

It is clear that the ministry should not be the one to inform the journalists where the "zone of openness" ends and the interests of state security begins; a special law should do this. This is precisely what is said in the draft constitution: "The list of information that constitutes state secrets of the Kazakh Republic shall be determined by law."

Another disputed aspect is the right of an individual who has been arrested to appeal to court requesting a review of measures to ensure the appearance of the defendant in court. Such a right existed previously but in March of this year President Nazarbayev, waging an uncompromising battle against criminals of all stripes, eliminated this norm from the Criminal Procedure Code. A criminal under arrest is deprived of what would seem to be his natural right to appeal in court the legality of a decision of a procurator concerning giving the sanction for his arrest. For some reason this was not coordinated with international legal norms. The draft constitution "returns" to the individual under arrest the right to appeal to court.

Another right that is still largely declaratory is the right to protection from the time of arrest. From Western films we have become accustomed to hearing a statement like "I will answer your questions only in the presence of my lawyer," but in our own penitentiaries discussions of physical and psychological force to which the suspects are subjected are more typical. Apparently here too the path to civilization will be long, although the draft constitution leaves it open, indicating that "each arrested individual who has been placed under guard and accused of committing a crime shall have the right to the assistance of a lawyer from the time of the arrest, detention, or declaration of the accusation."

The points establishing the rights of citizens to free education and medical service sound less "socialistic" in the draft. At the time of the adoption of the present constitution it still seemed to many that our state was quite capable of "bringing up" these spheres at least to the level of the Soviet Union. But the budget possibilities turned out to be extremely modest. During the past two or three years a sharp differentiation has begun to develop spontaneously: schools, colleges, and medical institutions have appeared in which it is necessary to pay handsomely, and their appearance can be explained not least of all by the existence of a social group that is able to pay for such services.

The right included in the draft for citizens of the Kazakh Republic to receive a "guaranteed amount of medical aid established by law" free of charge is better than the vague "right to protection of health," but still it is doomed to being merely declaratory: So far the actual financing for our public health is far from the indicators established by the law on the budget.

The guarantee of a minimum wage and pension indicated in the draft does not seem altogether correct. As we know, nobody in the republic receives wages of 250 tenge, so why guarantee it? Moreover, even a child can see that a person cannot live on that amount of money.

Article 32 of the draft, which gives citizens the right to peaceful assembly, rallies, and processions right next to the possibility of limiting this right by law "in the interests of state security, public order, health protection, and protection of the rights and freedoms of other individuals" sounds fairly harsh. In practice this will mean that it will be impossible to do anything that the local authorities do not like: Under the universal pretext of maintaining public order they are able to prohibit any "mass demonstration."

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The age restriction established in the draft for state employees seems strange as well: no older than 60, and in exceptional cases— 65. It is known that a person's biological age does not always determine his ability to work, not to mention his intellectual merits. Perhaps by establishing this restriction the president wants to rid the apparatus of certain representatives of the "old guard" under a noble pretext.

Every Parliament Has Its Consultation

The draft abolishes the institution of the vice presidency. In extreme situations when the president is not able to perform his duties, the power is temporarily transferred to the prime minister. Well, it is not a new approach: It has already been realized in "those who got burned" in the vice presidency of Russia.

The section entitled "President" is clearly overloaded with authority and rights with a minimum of real responsibility. While according to the current constitution parliament approves the prime minister and his deputies and even all the "key" ministers, the draft places the resolution of almost all personnel problems under the exclusive jurisdiction of one person—the head of state. How is this explained? How does this correspond to the declared checks and balances in the system of power?

The criticism that has already been heard about Article 45 of the draft, which removes from the president the legal responsibility for the constitutionality and legality of the acts he signs, seems fair. Explanations like "let the one who prepared the document be responsible" seem like a serious political blunder since they imply that the very political role of the head of state is that of a figurehead. It is necessary to pay attention to how Boris Yeltsin's inner circle forms his political image: All members of his team tirelessly emphasize that while listening to various sides, Yeltsin ultimately makes the decision himself, personally. He has the last word. This is the only image possible in a presidential republic, and he is not likely to be shaken up by being called "on the carpet"—say, in the constitutional court, if the head of state has legally savvy assistants.

Article 61 of the draft, which says that the president shall have the right to "submit to parliament a PROPOSAL to declare the consideration of the draft law urgent, which means that parliament MUST consider this draft within a month of the day it is submitted" seems internally contradictory. Here it is necessary to figure out what is meant by the democratically mild word "proposal." Usually this is some kind of idea which might be accepted and might also be rejected. If in response to the president's "proposal" the parliament "must" do such and such—that is no longer a proposal as much as it is an order.

The mechanism for disbanding parliament that is included in the draft is too simple and unmotivated. To do this all the president has to do is conduct an "official consultation" with the prime minister and the chairmen of the chambers. The results of these consultations are in no way stipulated, nor is their procedure. It turns out that the head of state could replace parliament at any moment at his whim and it would be completely constitutional. For comparison, the Yeltsin team, for which for well-known reasons is also wary of parliament, has stipulated in the Constitution of the Russian Federation much clearer conditions for disbanding the State Duma—after the head of the government has rejected the candidacies three times or if there is a repeat vote of no confidence in the government.

The discussion of the draft has just begun, and a month's time will hardly be enough for the constitutional commission to effectively take all proposals into account. But the president is in a hurry: Time counts, since the new parliament is to go to work in Kazakhstan at the beginning of next year.

The power has entered a transitional period—the time of the formation of a fundamentally new model that reminds one not so much of a tree with three equal branches as a pyramid-shaped fir. It is important not to cross the boundary that separates the strengthening of the presidential power from authoritarianism, which would ultimately end up not even as a dictatorship by one individual but as a dictatorship of a bureaucratic apparatus that has gotten completely out of control.

Oil, Gas Industry Enterprises Privatized

954F2811A Moscow KOMMERSANT-DAILY in Russian 4 Jul 95 p 9

[Unattributed report: "Almost 80 Percent of Oil and Gas Enterprises in Kazakhstan Converted to Joint-Stock Operation"]

[FBIS Translated Text] In accordance with the national program of destatization and privatization for 1993-1995 in Kazakhstan, 114 of 146 enterprises of the oil and gas sector have been converted to joint-stock operation, four are owned by labor collectives, and the remaining enterprises are not subject to privatization. According to information from the Kazakhstan Oil and Gas Industry Ministry, of 31 enterprises of the Munaygaz state holding company, 20 were transformed into joint-stock companies through the privatization program, two are scheduled for privatization this year, and seven others will not be privatized. In 1995, consulting firms of Kazakhstan, "several of which have already been determined," will be enlisted to participate in the privatization by individual project of

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14 enterprises of Kazakhstan's oil and gas industry, specifically—Mangistaumunaygaz and Embamunaygaz (a part of Munaygaz). In 1994 the Kazakhstan State Committee for Management of State Property extended a tender among foreign consulting firms for drawing up privatization plans and selecting foreign investors for the enterprises Tengizmunaygaz, Chimkentnefteorgsintez, Yuzhneftegaz, and Karazhanbasmunay. As a result, a consortium of a number of French firms became the consultant for Tengizmunaygaz, the American firm Price Waterhouse—for Chimkentnefteorgsintez, and the French Groupe Daynaque—for Karazhanbasmunay. By 1 July all companies and joint-stock companies of Kazakhstan's oil and gas industry were to have presented their proposals on restructuring their component enterprises to the republic Oil and Gas Industry Ministry.

Kyrgyzstan

Askayev: Recent Price Increases 'Economic Sabotage'

LD1807181395 Moscow INTERFAX in English 1601 GMT 18 Jul 95

[From the "Presidential Bulletin" feature, compiled by Nikolay Zherebtsov and Andrey Petrovskiy and edited by Vladimir Shishlin]

[FBIS Transcribed Text] President Askar Akayev on Monday [17 July] was quoted by one of his senior aides as calling recent sharp rises in prices for basic consumer goods "economic sabotage."

"There is and has been no economic basis for the sharp leap in prices for such products as sugar, flour, bread and gasoline," Batyr Davlesov, head of the president's office department for control of the government, told a news briefing, commenting on the price increases, where gasoline went up by 40 percent and bread and sugar by 30 percent.

The new prices are "a response by the mafia to accusations by the president of part of the top state officials of connections with mafia structures," Davlesov said. "Many of those concerned want to discredit the president and his fight against the mafia and corruption."

IF Note: Akayev said on July 6 that the government had so far failed to carry out a national program of measures against crime and corruption.

"More than that, authorities that come under the Interior Ministry are becoming seriously criminalized, merging with criminal groups," the president told a conference of chiefs of the republic's law enforcement services.

It is also widespread practice that "state officials have several houses and several cars, and that is becoming a norm and a fashion," he said.

Answering a question by INTERFAX, Davlesov described this state of affairs as "a result of the excessive liberalization and privatization of the economy of the republic, where the most profitable monopoly producers of essential consumer goods have gone out of state control." That things have gone so far is also "a direct fault of the government of Kyrgyzstan," which "has been unable to work out mechanisms necessary to prevent monopolists from dictating prices for the most essential consumer goods."

The season factor could have played its role, but it could not have accounted for rises of more than 5 percent to 10 percent, Davlesov contended. A certain increase was produced by changes in the taxation system ordered by the government, he said.

Akayev "is fully determined to use all the instruments to keep prices at an acceptable level," Davlesov said. "To put restrictions on such market gamble, Akayev has proposed a new document on how to collect the value-added tax," he said.

Akayev's Call For Tougher Economic Measures Viewed

LD1907184095 Moscow INTERFAX in English 1720 GMT 19 Jul 95

[From the "Presidential Bulletin" feature: compiled by Nikolay Zherebtsov, Andrey Petrovskiy, edited by Vladimir Shishlin]

[FBIS Transcribed Text] President Akayev is "absolutely right in demanding that the government take proper measures to restore order in economy and toughen the financial discipline," the Kyrgyz prime minister's political and economic advisor Emil Kaptagayev told INTERFAX.

He said that at the initial stage of transition to market relations, from 1991 to 1994, "the government made a mistake by overly liberizing the economy and actually isolating itself from running industrial production." In his opinion, "mass privatization with an accent on collective property, above all joint-stock societies" was erroneous because in the absence of laws regulating the share-holders' rights, "50 percent of the income went to the joint-stock companies' directors."

The rupture of economic ties with Russia played a negative role, too. "The need to survive made industrial enterprises engage in barter exchanges, evade taxes and establish parallel organizations," he said. "Immoral business became an economic norm," he added.

Nevertheless, since the beginning of 1994, when Akayev passed a series of decrees (on toughening the

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financial discipline, on regulating privatization and on implementing the agrarian reform) "a radical change took place in the economy."

The government's first-priority goal is to put an end to economic crimes, make the financial discipline a norm and ensure stable revenues to the budget and the repayment of credits, he said.

He also said that the Cabinet was developing a system of monthly economic monitoring. A corresponding report is expected to be made during every Cabinet session.

Tajikistan

Niyazov, Rakhmanov Discuss Tajik Peace Talks

LD1907203795 Moscow INTERFAX in English 1854 GMT 19 Jul 95

[FBIS Transcribed Text] ASHGABAT, July 19 (INTERFAX) — Turkmenistan's President Saparmurad Niyazov and Tajik President Emomali Rakhmanov discussed at their working meeting in Ashgabat Wednesday [19 July] the possibility of holding the next round of talks between the Tajik government and opposition in Ashgabat, says a communique on Rakhmanov's short working visit to Turkmenistan.

The two sides agreed to set up a joint commission which will draft a Turkmenian-Iranian-Tajik trade and economic cooperation agreement.

Niyazov and Rakhmanov agreed to have a full-scale summit shortly.

Rakhmanov Signs Agreements During Iran Visit

LD1907135695 Moscow INTERFAX in English 1158 GMT 19 Jul 95

[FBIS Transcribed Text] DUSHANBE, July 19 (INTERFAX) — Tajikistan and Iran signed 12 intergovernment agreements on developing bilateral economic and cultural relations during the visit of a Tajik governmental delegation to Tehran.

Director of the Tajik Foreign Ministry's Information Department Zafar Saidov told INTERFAX today that during the visit of Tajik President Emomali Rakhmanov to Iran the two countries also signed a declaration on principles for bilateral cooperation.

The official meetings between the Tajik president and Iranian top official leaders "in fact signifies that Tehran recognized the legitimacy of the Tajik government," Saidov said. He said this "has considerably raised the political prestige of Dushanbe both in Tajikistan and beyond."

Saidov said during the visit the two countries decided to renew Tehran-Dushanbe direct air flights and to open a Tajik Embassy in Iran.

Saidov said that after completing his official visit to Iran Rakhmanov would meet with Turkmen President Saparmurad Niyazov in Ashgabat on July 19.

During the meeting the two presidents are expected to discuss problems regarding further enlargement of bilateral relations and the strengthening of peace and stability in the region as well as settlement of the inter-Tajik conflict, Saidov said.

The Tajik and Turkmen presidents are also likely to discuss the issue of holding the fifth round of inter-Tajik talks in Ashgabat.

Rakhmanov Meets With Islamic Opposition Leader

MM2007091095 Moscow ROSSIYSKAYA GAZETA in Russian 20 Jul 95 p 7

[Unattributed report: "Between Peace and War"]

[FBIS Translated Text] Talks have begun in the Iranian capital between Emomali Rakhmanov, president of Tajikistan, and Abdulla Nuri, leader of the Tajikistan Islamic Revival Movement.

Rakhmanov was paying an official visit to Iran and stayed longer than planned specially for the meeting with Nuri. It has emerged from well informed sources that the meeting between the Tajik president and the Islamic Revival Movement leader was made possible by Iran's active influence on the Tajik Islamic opposition.

At the same time seven servicemen from the government forces were killed and six wounded as a result of a clash with a Tajik opposition grouping in Tadzhikabadskiy Rayon in the Pamir mountain region. There have been losses among the Tajik mojahedin: The unconfirmed figure is put at seven.

Talks Called 'Important New Step'

LD2007110995 Moscow ITAR-TASS in English 0957 GMT 20 Jul 95

[By Galina Gridneva]

[FBIS Transcribed Text] DUSHANBE July 20 (ITAR-TASS) — The Wednesday [19 July] meeting in Tehran between Tajikistan's President Emomali Rakhmanov and Tajik opposition leader Said Abdullo Nuri was an important new step towards peace in Tajikistan, presidential spokesman Davlatali Davlatov said in an interview with ITAR-TASS today.

Rakhmanov and Nuri had their first meeting in Kabul in mid-May 1995.

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The Tehran meeting yielded a joint statement, in which official Dushanbe and the Tajik opposition reaffirmed their commitment to political means of settling Tajikistan's interior conflict.

The sides stated that they would authorize their official delegates to the fifth round of Tajik talks to consider the setting up of a consultative congress of Tajikistan's nations, with the opposition placed on it.

The delegates will be also commissioned to sign a termless agreement on ceasefire and a stop to any hostilities on the Tajik-Afghan border and within Tajikistan.

The current ceasefire agreement expires on August 26.

Rakhmanov and Nuri discussed the implementation of agreements that had been drawn at the previous round of talks in Almaty.

They expressed an understanding that return of refugees to Tajikistan was a crucial prerequisite for national reconciliation.

The date and venue of the fifth round of the Tajik talks were not set so far, Davlatov said.

However, the Tajik president and the opposition leader agreed that the new round should be held as early as in the first half of August.

As for the venue, the presidential spokesman quoted both sides as saying that they were "most closely" considering the proposal from Turkmenistan's President Saparmurat Niyazov that the the fifth round be held in Turkmenistan's capital Ashgabat.

Turkmenistan

Paper Details Niyazov's 4 Jul Visit to Iran

LD1907215195 Ashgabat VECHERNIY ASHGABAT in Russian 10 Jul 95 p 1

[FBIS Translated Excerpt] The one-day visit by Turkmenistan President Saparmurad Niyazov to the Islamic Republic of Iran opened broad prospects. It is not difficult to realize that the visit was very successful if one proceeds from the agreements reached and documents signed during the 4 July visit. [passage omitted]

During the negotiations, Saparmurad Turkmenbashy and Iranian President 'Ali Akbar Hashemi-Rafsanjani also noted the importance of summits and meetings between government representatives of both states. These are very useful for controlling the implementation of agreements and are intended to broaden the partnership.

Despite the short time that Turkmen-Iranian relations have existed, obvious successes have been achieved in cooperation between the two states. The economic and cultural resources of Turkmenistan and Iran are opening possibilities for even more development of effective cooperation in future. One should also note that the border between Turkmenistan and Iran, which has been proclaimed a border of peace and friendship, aids the broadening of humanitarian ties between Turkmenistan and Iran.

Partnership in the sphere of oil and gas was at the center of attention of the one-day visit by Saparmurad Turkmenbashy to Iran. This matter was reflected in a protocol signed by Turkmenbashy and Rafsanjani between Turkmenistan and Iran on laying the Turkmenistan-Iran gas pipeline. The sides agreed to prepare the project and lay the Korpedzhe-Gurtguyy pipeline with the aim of speeding up the supply of Turkmen gas to Iran. The Iranian side accepted the obligation to prepare this installation for use within the agreed timeframe, including financing 80 percent of the preparations for the Korpedzhe deposit, laying the 140 km gas pipeline, and the preparation of the plan for this energy route. Turkmenistan guarantees to supply, and Iran guarantees to buy, up to 8 billion cubic meters of gas annually for 25 years. Turkmenistan agrees that, three years after the gas supply begins, it will compensate Iran for the financial outlay in planning and building the gas supply installations on Turkmen territory.

An agreement between the Turkmen Ministry of Oil and Gas and its Iranian counterpart was also signed during the visit. It states that Turkmenistan will start to receive additional income in the near future. In addition, the two parties discussed cooperation in the spheres of communications, transport, and industry, including roadbuilding, cement works, brickworks, and stonebuilding quarries. In order to implement a special agreement to carry out all this, it was decided to establish a special expert group comprising specialists from both countries.

During the negotiations, the leaders of the neighboring states adopted a specific decision to speed up the construction of the Tedzhen-Serakhs-Mashhad railroad and the Ashkhabad-Gaudan-Badzhgyran highway, and agreed to develop sea and air communications.

Saparmurad Turkmenbashy and Hashemi-Rafsanjani underscored the great importance of regional cooperation in foreign policy, noting the necessity to develop a partnership involving the Caspian Sea coastal states and multilateral mutual links within the framework of the Economic Cooperation Organization. It was also noted that trilateral cooperation with the participation of Turkmenistan and Iran would be effective. At the time of the summit, a coincidence of views was noted on the Caspian Sea problems. Stressing the uniqueness of this

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basin, the presidents of Turkmenistan and Iran agreed that unilateral use of its resources is inadmissible before the definition of the legal status of the Caspian. In this regard, it was concluded that it is necessary to continue negotiations among the Caspian coastal states. It would be useful to establish an organization on cooperation between these states. [passage omitted]

Investment in Civil Aviation Tops $500 Million

MM1807132495 Moscow IZVESTIYA in Russian 18 Jul 95

[PRAYM report: "Turkmen Government Promoting Development of National Aviation" — from the "Financial IZVESTIYA" section p i]

[FBIS Translated Text] The Turkmen Government has invested more than $500 million to develop national aviation. The half-billion mark was passed when the "Akhal" [name as transliterated] Airline acquired five Il-76 cargo aircraft. The Turkmen side's recent purchase of Ukrainian engines made it possible to bring into service another two Yak-42 aircraft that had previously been standing idle. The company's fleet will soon be boosted by the arrival of two Boeing 757's, which will fly nonstop intercontinental routes. Talks are currently under way on opening Frankfurt-Ashgabat and Berlin-Ashgabat routes. A proposal from China to use Ashgabat Airport as a transit stop en route to Europe is being examined.

Uzbekistan

President Unhurt Following 17 Jul 'Attack'

MK2007051695 Moscow KOMMERSANT-DAILY in Russian 19 Jul 95 p 4

[Report by Zulfiya Emogayeva: "Attempt on the Life of Uzbekistan President. Opposition Is Not There, Assassination Attempt Is There"]

[FBIS Translated Text] Addressing a news briefing for the diplomatic corps and foreign journalists yesterday, Uzbekistan Foreign Ministry head Abdulaziz Komilov announced that on the previous evening, at 2110 Tashkent time, the windshield of the car of Uzbekistan President Islam Karimov, who was returning from work, "received a blow from two unidentified objects as a result of which there formed two depressions [vyyemki] on the windshield of the president's automobile." The president was not hurt.

The Uzbekistan's press does not use the word [assassination] "attempt" to describe the situation faced by the president, who has given short shrift to the opposition and extended (in a referendum) the term of his own rule until the 21st century. Very little is so far known about what happened. Experts are busy finding out the nature of the mysterious blow to the armored glass. Usually, the president's motorcade tears along the road at great speed with GAI [State Motor Vehicle Inspection Administration] cars ahead and behind. On the flanks the presidential automobile is covered by protection cars. It has come to light in journalistic circles that since there were two depressions formed in the armored glass, they fired something large-caliber rather than a pistol or a rifle.

Prosecutor General Reports on Crime, Drug Trends

LD1907114795 Tashkent PRAVDA VOSTOKA in Russian 19 Jul 95 p 2

[FBIS Translated Text] The number of crimes in the first half of the year fell by 8.5 percent on average throughout the republic in comparison with the analogous period last year. These facts were presented by Prosecutor General Buritosh Mustafoyev at a news conference dedicated to summing up the results of the activity of the public prosecutor's office in the fight against crime and various breaches of the law in the first six months 1995. Officials of the public prosecutor's offices in the regions and districts of the republic, and the prosecutor of the Republic of Karakalpakistan Markabay Ilmuradov, answered questions put by journalists.

It was stressed at the briefing that, despite the decrease in crime, many problems remain unsolved. Drug dealers from neighboring Afghanistan and Tajikistan are increasing the volume of contraband passing in transit through Uzbekistan. Economic crimes are not infrequent. More than 70 illegal documents issued by local administrations [hokimiyats] impeding the development of medium and small business in the republic aroused protests from prosecutors' offices in the first six months of the current year alone.

Cabinet Resolution on Implementing Bankruptcy Law

LD1807165895 Tashkent NARODNOYE SLOVO in Russian 18 Jul 95 p 1

["Resolution of the Cabinet of Ministers of the Republic of Uzbekistan on measures to implement the Law of the Republic of Uzbekistan 'On Bankruptcy'"]

[FBIS Translated Text] In accordance with the Law of the Republic of Uzbekistan "On Bankruptcy," the Cabinet of Ministers resolves:

1. With the aim of studying the economic and financial activities of all unprofitable enterprises of the Republic, to set up a government commission with members as defined in the appendix.

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2. To instruct the commission:

— using the results of the first six months of 1995, thoroughly to analyze the condition of the financial and economic activities of each unprofitable enterprise, paying particular attention to those enterprises which systematically incur losses;
— in complete accordance with the procedure set out in the "Law on Bankruptcy," to introduce corresponding proposals to the Supreme Economic Court with regard to each of the unprofitable enterprises for a decisions on announcing their bankruptcy. In connection with this, to pay specific attention to the number of employees, to the cost of the enterprises' main production funds and technical equipment, to the range of goods produced and their importance in industrial and technological development;
— to inform the work forces about the decisions being made, ensuring the social protection of workers in accordance with the existing legislation of the Republic of Uzbekistan;
— the leaders of the enterprises indicated are to bear administrative and other responsibility according to existing legislation. Certain leaders of unprofitable enterprises and organizations are not to be allowed to conceal their complete incompetence in maintaining industrial activity by making various excuses about state bodies and third organizations; the results of studying the state of affairs and the decisions adopted on unprofitable enterprises are systematically to be published in the mass media, while also supplying accessible explanations of the factors and reasons, which led these enterprises to bankruptcy.

3. Control over the implementation of this resolution is to be placed on the chairman of the commission Deputy Prime Minister Bakhtiyar S. Khamidov.

The results of the work carried out are to be reported at the meeting of the government of the republic on October 1995.

[Signed] Chairman of the Cabinet of Ministers [Islam] Karimov
[Dated]Tashkent, 17 July 1995

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Armenia

Opposition Paper Reflects on Elections

954F2789A Yerevan GOLOS ARMENII in Russian 8 Jul 95 p 1

[Article by Marina Grigoryan: "Figures for the Ballot Box—Or the Ballot Box for Figures?"]

[FBIS Translated Text] And so, no miracle took place. It turned out to be impossible to conduct democratic and fair elections in today's Armenia. The preelection campaign that had begun so disgracefully came to a no less shameful conclusion on 5 July. The people found themselves helpless against the openly underhanded game played by the authorities, for their main argument—the votes of the electorate—were incapable from the outset of changing anything in the scenario charted by the AOD [Armenian Pannational Movement] and its henchmen, carried out with precision. How else can one evaluate the fact that on the eve of the referendum (!), a holiday was instituted in honor of adoption of the Constitution? How else can one evaluate the fact that pro-government newspapers published articles right on schedule trumpeting victory in the referendum and providing lists of victorious deputies, although according to numerous attestations, the work of district and precinct electoral commissions continued late into the night, and in a number of instances—into early morning? How else can one evaluate the fact that on the next day, without accurate statistical data for the entire republic, the Central Electoral Commission announced the adoption of the Constitution?

In point of fact, all this could have been predicted without any difficulty way before 5 July. Precisely mastering the well-known phrase of the "father of our peoples"—that it is unimportant how people vote, but rather who will be tallying the votes that is important, the authorities first scraped together the Central Electoral Commission they needed, putting the totally offensive R. Amiryan in charge, and then set about working on the district and precinct commissions. Endless reshufflings, manipulations, cleanups, replacements of chairmen, deputy chairmen, and secretaries—all this taking place even after confirmation of the composition of commissions—yielded the desired result: The lion's share (131 out of 150) of seats went into the "pocket" of the AOD. A powerful blow to the opposition had been inflicted, of course, by the illegal denial of registration to the bloc Azgain Dashnik—Dashnaktsutyun, when not only prestigious parties were removed from the game, but more than 7,000 of their representatives in commissions as well. Following this, there naturally no longer existed any doubts that the vote would be "tallied" as necessary.

When the president announced in autumn of last year that he had no doubts with respect to the victory of his party in the coming elections, it elicited a skeptical smile on the faces of many. The all too evident, universal hatred of the AOD that was prevalent did not seem to be taken into account in his outlined scheme of things. But the president does not say things for no special reason. For the first time in my memory, having promised to "deliver" 80 percent of the National Assembly to his people, he fulfilled his promise, being guided by the one and only, clearly dependable formula—a crowbar always works. L. Ter-Petrosyan himself made more appearances over the past month or month-and-a-half than he has in five years, violating the law twice in this regard. He began election campaigning three days prior to the prescribed time frame (8 June) and concluded it after midnight 5 July (repeat of a television interview paid for by the head of Gosteleradio). Naturally, when the president himself crosses the line, limits are ever less discernible for his fellow comrades.

What influence did the law have anyway? The powerful state machine, using every single lever and opportunity available, knowing no shortage of funds (according to several estimates, the AOD spent half a million dollars on the preelection campaign), impeded by no boundaries or obstacles, empty of shame or conscience, defiantly and impudently strode across the entire republic, affording integrity and fairness not the slightest chance. Countless transgressions of the law, bribery, blackmail, threats, the discrediting and elimination of objectionable individuals, the arrogance of military units (the latest demobilization did not take place) appearing in the most unexpected places, and so on, and so forth—all of this they put into motion in entirely undisguised fashion, with accurate realization of their impunity.

There could be no other result—brute force triumphed in the Armenian elections, the main components of which were money, the mafia, and neighborhood authorities (of which special note should be taken, for these turned out fairly unexpectedly to be quite a substantive factor in virtually all districts). This only provides further evidence that the authority in Armenia has long since ceased to be an authority of the people. It has instead based itself on the above-mentioned three "pillars," detached and protected by them from the people. In addition to everything else, the authorities successfully approved a mechanism for conducting the elections in accordance with a new law. This will doubtless prove useful to them in the future as well.

Did the opposition have a chance under these conditions? Without a doubt, it must acknowledge its share of the blame in what occurred, primarily by virtue of the fact that organization of the preelection campaign

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left much to be desired. Tardy unification led to the absence of a well-conceived plan of action, lack of coordination, and reactionary steps that did not meet the expectations of the people. At one point in time, people's activity managed to be raised to a fantastic level, but the opposition "10" failed to utilize this success in the best way. In essence, the culmination of demonstration activity, and the only decisive action, turned out to be the burning in effigy of the president, to which the shots from security forces provided a response the next day. It makes no sense now to judge what should have been done then, although a careful and unbiased analysis is undoubtedly needed. But having rejected the notion of boycotting the elections, the opposition was obliged at least to work on accurately and promptly developing a unified listing of candidates. It was not until 4 July that this listing was published, however, and not in the newspaper of largest circulation. Additionally, it elicited a great many perplexing questions. Suffice it to say that in a number of districts, the leaders of opposition parties opposed one another, while certain other districts were altogether "naked."

Nonetheless, it should be acknowledged that the opposition accomplished tremendous work in the scheme of blocking adoption of the draft constitution. Available numerical data show that the people did not in fact vote for the Constitution (indeed—the Central Electoral Commission declaring that it was adopted "with difficulty"!). The authorities simply "adopted" it. And this is no doubt attributable in large part to the efforts of the opposition and the independent press, as well as to voter activity which exceeded expectations, although it must honestly be said that this does not make things easier to accept. After all, if it is beyond dispute that the authorities decided the outcome of the elections prior to 5 July, it is also beyond dispute that the opposition lost them prior to 5 July, being little able to counteract the crude pressure exerted by the authorities.

Despite their clearly undemocratic nature, the elections in Armenia will unfortunately be declared legitimate and democratic. I have no doubts in this regard that the free press, social organizations, international observers, and the courts are literally swamped by every possible protest, grievance, and citation of violations of the law and voter rights, that organization of the election process stands up to no criticism. But what is the point? There will simply be no attention paid to protests of the opposition and the local community, and we need not await any great reaction on the part of international observers. They can hardly be expected to dispute the election results or even cast doubt upon them, and their attitude, if expressed, consists only of the politics respecting Armenia of each specific country or organization that sent observers.

Even though a second round of voting is still to take place in a number of districts, we can imagine without any special effort what the political and intellectual level of the National Assembly will be. I have had many occasions to write that quite possibly, we will remember the previous parliament with nostalgia, even though it completely discredited itself. I believe the prediction has entirely justified itself—that far from the best of the "old people" were victorious for the most part, and the new ones seem to be worse still. We may state with confidence, however, that the president will have no problems with this parliament of "button-pushers"—they will push the buttons with precision and make decisions as necessary. But it will be a lot more complicated for us, for it is difficult to expect normal decisions from people who accede to power in this fashion. Yet....life does not end, fortunately, with these elections. An absurdity cannot last indefinitely. If it is impossible to eliminate it from without, it will inevitably burst from within. The only question is exactly when such will take place.

Newspaper Informed It Will Not Be Closed

954F2774A Yerevan GOLOS ARMENII in Russian 6 Jul 95 p 1

[Article by Flora Nakhshkaryan, editor in chief of GOLOS ARMENII: "The President Clarified the Fate of GOLOS"]

[FBIS Translated Text] On 3 July the U.S. Embassy in Armenia received guests. Leaders of our state, ambassadors, and other representatives of diplomatic missions accredited to Armenia, and figures from the fields of culture, science, education, and journalism, offered their congratulations on the national holiday—Independence Day—and wished the American people and the great country prosperity. I was among those invited.

Not one of my interlocutors at this warm reception was an exception, and not one avoided the question: Will GOLOS be closed after the National Assembly elections, as follows from the letter of the president of the Republic of Armenia to the director of PERIODIKA publishers a month and a half ago in which he asked "to postpone implementation of the State Court of Arbitration decision until after the elections?"

Although I had occasion to comment in detail on the situation with the State Court of Arbitration in the very first issue of our newspaper after its publication was renewed (in the article "....And I Will Say: 'My

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President'"), I was not at all confident that Levon Ter-Petrosyan had familiarized himself with my arguments, since, as far as is known, none of those who could have given the president the grossly distorted information concerning the decision allegedly adopted by the court to evict us, and who had led him astray, have been punished.

When I approached Levon Ter-Petrosyan, I was moved by a desire to clarify the fate of GOLOS and to get an answer to the numerous questions of readers and of my interlocutors at the reception in the American Embassy. The president listened to my explanations regarding the situation that had developed and admitted that there had been a mistake. "Presidents also make mistakes," he said. At the same time Levon Ter-Petrosyan believes that "one should not raise a racket on every occasion." What is more, the president said: "No one is planning to close you down."

Inasmuch as the question was in the context of nonexistent reasons for a nonexistent arbitration decision, it is necessary to suppose that an end has been put to the senseless, illegal, and prolonged attempts to evict the GOLOS ARMENII editorial staff from its home, the Press House; henceforth, we will work under normal conditions.

"We are all Armenians," the president said, having in mind the unacceptability of the sharpness of our articles.

"We are all Armenians," I repeat right after the president, having in mind the unacceptability of the arbitrariness that is being denounced in GOLOS, in particular with respect to our editorial staff and our newspaper. However, if one is to believe the word of the president, this is already a thing of the past.

Azerbaijan

Security Spokesman on Threat From Armenia

954F2800A Baku ZERKALO in Russian
No. 25, 8 Jul 95 p 8

[Article by M. Akhundlu, head of the Azerbaijan Ministry of National Security press service: "Explosions in the Baku Metro: Who Did It, Who Was Behind It, and Why"]

[FBIS Translated Text] You could feel the Novruz holiday in the air that day in Baku. People tired of the war hurried about their business on the eve of the holiday. No one would even suggest that the war might touch them here, below the ground. The explosion, directed against the peace-loving populace, took 14 lives and shook all of Baku....

Gradually emerging from their state of shock, people sought answers to the questions on everyone's mind. There were many such questions. How did this happen? Could the tragedy have been prevented? Who did this? Will they be found?

The MNB [Ministry of National Security] was silent. Many interpreted this as a sign of weakness. But in fact....

Back towards the end of February of last year, at a closed session held at the initiative of the Ministry of National Security, the leaders of concerned departments and organizations were warned of the possibility of terrorist acts at public facilities and transportation centers.

Of course the MNB would not be able on its own to monitor all facilities and transportation centers. An appeal was therefore made to citizens through the mass media with the aim of ensuring the safety of the populace, averting possible provocation, and neutralizing terrorists, relying on the vigilance of the people. Unfortunately, despite the measures undertaken, we did not fully manage to avoid provocations. Although the heightened vigilance quashed numerous attempts on the part of those who would put their hostile intentions into action (an investigation revealed this), two explosions in the metro in the space of four months proved that the efforts accomplished in this regard were insufficient. The security organs needed help from the people.

What disturbed the MNB most of all was the fact that the populace had insufficient contact with its security organs (for a people living in a state of war this is a question of life and death). No one took into account the fact that the MNB, like the young state of Azerbaijan, was in the formation stage. For the fulfillment of its tasks—different from KGB tasks, this organization lacked a sufficient number of specialists, personnel, and experience. With instability reigning in the country, it was necessary to shore up the security service with personnel distant from politics but loyal to the Motherland and statehood of Azerbaijan. It was also necessary to get rid of casual people.

Any success our republic realizes, any attempts by G.A. Aliyev to turn Azerbaijan into a free, democratic, and most importantly—strong state are met with resistance on the part of our enemies. The MNB must be the pillar of the country's leadership in surmounting these problems. The people expect a great deal from this organ in which their finest sons serve.

The geopolitical situation in which Azerbaijan currently finds itself has set new conditions for the security organs. The MNB does not rule out the possibility that our neighbors, like always, will engage in terrorist acts against our republic. There is sufficient information

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available on the activity of international Armenian terrorist organizations in the Near East and in Europe. The terrorist acts of Armenians in the North Caucasus and shift by the PKK [Kurdistan Workers' Party] to open fighting in Turkey are no accident. Supplied by a single source, these organizations serve in pursuit of a single objective. We know that PKK activity in Turkey, prematurely doomed to collapse, has set the objective of diverting Turkey's attention away from Azerbaijan. At one time, foreign revolutionary Armenian organizations (terrorists in fact), alleged Marxist Kurdish organizations of the PKK, and the Kurdish Democratic Party were all financed by the CPSU (the Near and Middle East Directorate of the CPSU was headed by Brutents, deputy director of the Foreign Relations Department, of Armenian extraction). It was proposed to utilize these structures as a fifth column when "H-Hour" was declared. Is it an accident that at the beginning of the 1980's Grisha Nasiryan handed over the leaders of the Tudeh Party in Iran?

Following the collapse of the USSR, when the current objectives of Armenians began being implemented, work was naturally required of these organizations. Thus, they began working to create a new geopolitical situation in the region. True, it was difficult to believe that leading circles in Armenia would resort to terror on the state level against the peace-loving population of Azerbaijan. Armenia, after all, like Azerbaijan, had signed the memorandum of repudiation of espionage and terrorism within the CIS. Being exposed as perpetrators of such acts, a CIS member state would at the very least be subject to international censure. But the leaders of Armenia's secret services, apparently convinced that they would not be so exposed, were mistaken.

As a result of research and the investigative process, it was proven conclusively that a Special Group B had been established within the Armenian Main National Security Directorate, which was engaged in planning terrorist acts in the territory of Azerbaijan. The head of this group, Lieutenant Colonel Dzhan Oganesyan, was arrested along with four others.

Personal information concerning Dzhan Oganesyan confirms the accuracy of what has been stated above. He is a graduate of the most secret school of the USSR KGB, a school that trained specialists in the execution of special missions abroad (i.e., terrorists). Prior to the collapse of the USSR it was proposed to use Oganesyan in revolutionary (terrorist) organizations in the Near East. Investigations show that in using Russian territory, the Armenian secret services were convinced that the Azerbaijan MNB would conduct a local investigation and not dig through to the root of the issue. Now just think for a moment what would have happened if the Armenians had succeeded in their plan. The investigations of explosions at transportation facilities leading to Azerbaijan, to the metro, would have yielded other results, too early to discuss at present. At some point in time, the terrorists and those inspiring them understood that terrorist activity in Azerbaijan would not go unpunished. It would be impossible to conceal the obvious....

We will probably not be amiss if instead of offering concluding remarks we cite an article from OBSHCHAYA GAZETA, published in Moscow. The article, entitled "The Common Intelligence Space," provides the response of Vladimir Komarovskiy, deputy director of the Community Relations Center of the Russian Federation Counterintelligence Service, to a question posed by the newspaper. Komarovskiy states: "The Federal Counterintelligence Service [FSK] has long been observing the activity of Armenian agents in Moscow. Following the investigations by Azerbaijani security organs, we arrested members of this group and a former employee of the FSK. But this event does not influence relations between Russian and Armenia (!)."

"The new leadership of the Security Directorate of the Transcaucasian republic we are talking about (having in mind Armenia) has stated its repudiation of future acts of provocation against Azerbaijan."

These words may be taken as an admission.

The old proverb goes: "When you play with a dog, you'd better have a stick."

The MNB shows a preference for this principle. The investigation is not yet completed. The most important aspect is not who specifically committed the act, but rather the problems at the root cause.

The wave of terrorism inside Armenia itself, which has turned terrorism into policy, can be evaluated today as a logical continuation of events. The murders of active AOD [Armenian Pannational Movement] members Vardges Petrosyan, Marius Yuzbashyan, and Artur Galstyan by so-called Azatamartiks—Dro members, constitute the latest objective of the terrorist boomerang hurled against the peace-loving Azeri populace of Karabakh.

Creation of New Political Blocs Outlined

954F2798A Baku ZERKALO in Russian
No. 25, 8 Jul 95 p 3

[Article by N. Aliyev: "Campaign Struggle: Alliances, Quarrels, Rows....: The Closer the Elections, the More Relations Between Various Political Forces Are Becoming Increasingly Exacerbated"]

[FBIS Translated Text] Two new associations of political parties—the Anticommunist Bloc, which includes

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the Yurddash, Khalg azadlygy, and Ana torpag parties, and the Civic Action bloc composed of the Civic Accord, Dogru Yol, Vakhdat (formerly the Baku and Villages Association), Azadlyg, and Social Justice parties and the Independent Democratic Party of Azerbaijan—have appeared in the past several days in Azerbaijan.

As far as the aims of Civic Action are concerned, everything here is more or less clear. This association of several parties was formed in order to go to the elections in a unified bloc. This was confirmed in conversation with our ZERKALO correspondent by Arif Yunusov, an activist of the Independent Democratic Party.

There are a number of points that are unclear here, though. First, of the six parties that have formed this association, three have not yet undergone registration with the Ministry of Justice and cannot, consequently, take part in the campaign. Arif Yunusov responded to this that if the Azadlyg, Vakhdat, and Social Justice Party are not registered before the elections, they will, in all probability, have to merge with the bloc's registered political organizations, the NDPA [Independent Democratic Party of Azerbaijan], Dogru yol, or the Civic Accord Party, that is. In conversation with our ZERKALO correspondent Akhmed Orudzhev, chairman of one of the unregistered parties, Azadlyg, however, declared that participation in the elections and victory at them are not the bloc's main goal. "The main thing for us is the creation of a civil society in the republic," he said. At the same time, according to A. Orudzhev, the participation of the Azadlyg, Vakhdat, and Social Justice parties in the elections is not a problem—it is not obligatory even for them to merge with other parties. "The members of our party, for example, may be entered on the slate of any party of the bloc," he said.

Not long before the creation of Civic Action, there was information to the effect that the Social Democratic Party of Azerbaijan intended to join it also. In addition, according to information obtained from an informed source, this political organization was one of the sponsors of the formation of the bloc. Nonetheless, the SDPA [Social Democratic Party of Azerbaijan] has not joined the new bloc. According to unverified, but trustworthy information, this had to do with the fact that the social democrats had demanded that the bloc be "closed" to certain parties. The Independent Democratic Party of Azerbaijan was cited as an example of a party whose presence was undesirable. But the bloc was formed, and the NDPA joined it, the SDPA did not.

A. Orudzhev, leader of the Azadlyg Party, categorically repudiated this version. He did not rule out the fact that the SDPA could, in principle, still join Civic Action. It is hard to believe this, to be honest, despite A. Orudzhev's claims that there are no particular differences between the programs of the NDPA and the SDPA and, consequently, that they could find a common language. It is, most likely, not a question of program differences and party discord but of personal animosity.

Meanwhile Araz Alizade, chairman of the Social Democratic Party of Azerbaijan, declared in conversation with our ZERKALO correspondent that this information absolutely did not correspond to reality. "We are, indeed, negotiating on the formation of a bloc, but not with the forces that have assembled in Civic Action," he said. "The leaders of these parties are all-too contradictory personalities. We have been invited to a meeting with them, it is true, but we have turned it down until we have undergone registration with the Ministry of Justice. After all joining some bloc without registration would be pointless."

The leader of the social democrats emphasized that they attach no significance to personality conflicts. The most important thing for the social democrats is ideological affinity and a common goal. A. Alizade believes that for victory it is essential that the opposition unite in a single bloc. "I personally immensely dislike Isa Gambar, leader of the Musavat Party, but I am prepared for the sake of a common goal to unite in a bloc with him," A. Alizade said.

Concerning the future activity of the bloc, Azadlyg leader A. Orudzhev declared: "It is to the advantage of the republic leadership to have the People's Front and Musavat in opposition to itself since the authorities have a chance to control the activity of these political organizations. It is for this reason that the situation surrounding Keleki is aggravated from time to time. This is done to strengthen in society the opinion that the Azerbaijan People's Front and Musavat are the present regime's sole realistic opponents and that they are sufficiently strong to come to power. All this has been going on for two years now. Our first task will be to destroy this particular idyll. All regions of Azerbaijan are represented in the Civic Action bloc, we have great potential."

The parties that are a part of the Anticommunist bloc have long been known for their implacable position in regard to the communists. Only the Ana Veten Party, perhaps, the sole pro-government party, incidentally, which has attacked the Communist Party repeatedly, could rival them. But despite this (perhaps because of this), it is hardly to be expected that this bloc will be successful at the elections by relying only on anticommunism.

The leaders of the parties that formed the Anticommunist Bloc are well aware of this, evidently. Shakhbaz

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Shayoglu, deputy chairman of the Yurddash Party, for example, declared in conversation with our ZERKALO correspondent that the bloc was formed merely for the purpose of fighting communism and has nothing to do with preparations for the elections. In other words, it is not a campaign bloc of parties.

According to the spokesman for the Yurddash leadership, it is not known for a fact as yet whether the party will take part in the campaign and in what capacity—in a bloc with other political organizations or independently—since much will depend on the Election Act, which has still not been adopted.

At the same time Sh. Shamyoglu did not rule out the possibility that the bloc formed by the Ana torpag, Yurddash, and Khalg azadlyg parties would shortly be joined by several other parties. According to him, the Yurddash Party began to fight against communism practically immediately it was formed—in 1993. "We had called repeatedly even before this for the creation of such an association since the actions of the Communist Party were in contravention of the Constitution. The communist threat in the republic today is a reality. The reconstitution of the USSR cannot be permitted. Although Russia is our neighbor, of course, and we need to maintain relations with it at all levels, as also with Turkey, Iran, Georgia, and other countries, for that matter," Sh. Shamyoglu declared.

As far as the methods by which the new bloc will fight the threat of communism are concerned, they will, according to the deputy chairman of the Yurddash Party, undoubtedly be only democratic—articles in the press, various statements, and so forth. At the start of March Siradzheddin Gadzhi, leader of the Ana torpag party, sent a letter to Babek Guseynoglu, chairman of the State Television and Radio Company, in which he asked for the party to be granted air time "to reveal the essence of the activity of the republic's current communist parties." There has been no response from B. Guseynoglu as yet but, nonetheless, the bloc will involve itself in the collection of material testifying to the mass punitive measures and killings of thousands of innocent people in the period of rule of the communists, and the corresponding commissions for the investigation of individual periods of communist rule will be formed. "We will try to get adopted a law banning the creation and activity of communist and pro-communist parties and associations and will also take specific steps to institute criminal proceedings against the Communist Party of Azerbaijan for its activity in the period 1920-1991," S. Gadzhi said.

Nonetheless, despite all the apparent seriousness of the intentions of the Anticommunist bloc, the communists themselves do not, it would seem, consider the Yurddash, Ana torpag, and Khalg azadlyg parties a serious threat. In unofficial conversations members of the leadership of the Communist Party of Azerbaijan said repeatedly that the formation of this bloc would, possibly, even increase the influx of new members into the Communist Party of Azerbaijan and would "show people who's who." The Communist Party of Azerbaijan leaders evidently have grounds for such assumptions. The concentrated "shelling" to which representatives of the democratic camp subjected the Communist Party two or three months ago did not damage the Communist Party of Azerbaijan in the least. On the contrary, as representatives of the leadership of the local Communist Party maintain, "the number of people wishing to join the party of communists grew sharply after that campaign."

Minister on Communications Network Plans

954F2733A Baku ZERKALO in Russian
No. 24, 1 Jul 95 p 7

[Interview with Siruz Abbasbeyli, Azerbaijan Republic minister of communications, by B. Zakirova, ZERKALO correspondent; date and place not given: "The ATS's Must First Be Privatized"]

[FBIS Translated Text] [Zakirova] In connection with the coming privatization and demonopolization, what Ministry of Communications installations should be removed from state control in your opinion?

[Abbasbeyli] Almost all of them, I think—in the first place, the ATS's [automatic telephone exchanges], Gasid (the firm for distributing the press), and the truck fleet. For example, if the ATS's are privatized and joint stock issued, this will attract the attention of foreign investors who will be able to invest money and completely re-equip them. Investors put money into state enterprises with reluctance. Investing in private ones is another matter. The state itself can hardly manage to re-equip all ATS's completely.

[Zakirova] However, the mail, for example, is practically not functioning now....

[Abbasbeyli] Yes, the postal branches are today living on subsidies. These subsidies, however, are not coming from the state budget but from the assets of the ministry itself. Put more accurately, the mail exists using telecommunications money. Mail is dying out; only telephone communications and information from the TV will remain.

[Zakirova] Incidentally, concerning TV.... There are rumors that the new television tower is being constructed with a deviation of three degrees from the vertical and

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that the violent Baku winds were not considered during its engineering. Therefore, it remains incomplete and there will be no restaurant on it as there is on the Ostankino television tower....

[Abbasbeyli] This is incorrect. It has remained unfinished because we still do not have assets to continue the work. I have sent a report to the Cabinet of Ministers to the effect that we need funds to complete its construction. The Cabinet of Ministers recently allocated 3.5 billion manat for the construction of the new television tower. Thus, it will probably soon be possible to sit in this restaurant "above the clouds."

[Zakirova] Television and radio frequencies are under your ministry's jurisdiction. How much does it cost to rent one television channel?

[Abbasbeyli] It is different for different companies. I would like to point out that the television channel debts to the Ministry of Communications are astronomical. It now pays us only for six hours of broadcasting, but operates from morning to night. True, RTV [Russian Television] has completely settled with us. However, the debt of AzTV-1 is 12 billion manat. Only 3 billion of them have been transferred. The AzTV-2 debt is 200 million manat. Negotiations are underway with TRT regarding payment for the channel being used by them.

[Zakirova] There are rumors that the BMTI company was closed because certain highly placed people, who own video salons among other things, were dissatisfied because BMTI had become a serious competitor for them....

[Abbasbeyli] That is not true. BMTI rented a channel which the state television subsequently required for itself and established AzTV-2.

[Zakirova] And the Peyk television company...?

[Abbasbeyli] Peyk did not register. It first had to receive permission from the Ministry of the Press and Information and, subsequently, from us. We did not give Peyk any permission. It was a "pirate" broadcast, and that is why it was stopped.

[Zakirova] Did Azerbaijan State Television and Radio really register?

[Abbasbeyli] It does not need to do so. It is state television, and registration is only for private television companies.

[Zakirova] Let us move on to the most urgent matter—telephone communications. There are rumors that when the Turkish specialists changed the equipment at ATS-93-98, they put in their own obsolete model.

[Abbasbeyli] I have also heard these old wives' tales and I can say how they appeared. Our ATS's are based on step-by-step systems. These systems are not even "the day before yesterday's" for modern communications equipment. Paging, mobile cellular, satellite, digital, and fiberoptic communications already exist in the world. Many foreign engineers are shocked when they visit our ATS's. They say that they are "operating museum exhibits." Over the course of several dozen years many of our workers have grown accustomed only to these systems. It is already too late to retrain them and, yes, many do not want to be. That is why these rumors are being heard. Throughout the world, the new always takes root with "a squeak."

We have now installed there the most modern equipment—the American-Canadian Norden Telecom system. A total of 70 percent of the ATS's in Turkey, 50 percent of them in Japan, and approximately 60 percent in the United States are functioning using this equipment. Today, the equipment in the ATS-93-98 and ATS-77 is already bringing us $3 million in annual profit.

[Zakirova] With which foreign companies are you collaborating?

[Abbasbeyli] I take pride in the fact that the very latest telephone communications systems have been introduced in Azerbaijan during the last two years—of course, not everywhere—but we do have them already. We are collaborating with the American IDB firm, the English British Telecom and Datacom, the Italian Telespasio, the French Alkatel, and the Turkish Netash, Teletash, and PTT. Two joint enterprises—Aztel and Uldel—have already been established. Approximately 100 of our specialists have undergone training and education abroad.

We have developed a national program for expanding communications in the republic. Two commissions of the Supreme Soviet and Ministry of Economics have approved it. We have not spent a single manat from the state budget to establish satellite communications—everything is taking place at the expense of the Ministry of Communications. A digital telephone communications station will be built in Gyandzh and other large cities in the republic. The work to equip the Baktelegraf with telefax communications and electronic mail equipment is being completed. A tender for the construction of an international-intercity station in Baku is being completed. A tender for the construction of a mobile JSN system station has been announced.

[Zakirova] What is your ministry's economic condition?

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[Abbasbeyli] Our economic condition is not very good. Incurred debt is 16 billion manat and annual income should be 22 billion. Taxes are imposed not on the amount actually received but on that which should be received. Our main debtors are the Ministry of Defense, Ministry of Internal Affairs, and Ministry of National Security. The Ministry of Internal Affairs owes us a large amount. If we should manage to obtain money from them, we would be freed from many concerns. However, we have no problem with paying wages—we have established our own Rabitabank. The average salary for the ministry is 50,000 manat.

[Zakirova] Subscribers complain about the constantly increasing fees for using the telephone.

[Abbasbeyli] The installation of one number costs the ministry $500. Considering that the monthly fee is 750 manat, a subscriber will pay for it after 250 years. Communications services are very expensive throughout the world; there are counters to measure the time spent on telephone conversations. However, our telephone is still practically free. The ministry establishes the prices for telephone communications for enterprises but, concerning private members—the social factor plays no small role. Therefore, the prices for private individuals are substantially understated. If we ourselves were able to set subscriber fees, many problems would be solved. There are rich people who can afford to pay large amounts of money for a telephone. For the poor, it would be possible to make telephones quite free—at the expense of the wealthy. However, we still do not have such rights.

[Zakirova] How much does the installation of a telephone cost the subscriber himself?

[Abbasbeyli] At the present time, the installation costs 150,000 manat in very well-developed rayons (that is, where new ATS's are being opened). Where the main capacities of the ATS's have been exhausted—300,000 manat.

[Zakirova] There are rumors that one can install a "commercial" telephone at home. What is this?

[Abbasbeyli] Everyone knows quite well that if an individual has sufficient money, he can pay a bribe and get a telephone for himself out of turn. We have tried for a long time and without success to combat this phenomenon using administrative and even criminal measures. However, it has turned out that it is best of all to combat money with money. If an individual offers money for a telephone installation, why should it go into the pocket of some bribe-taker? Let it go into the ministry's "pocket." We have legalized the installation of a telephone out of turn for the payment of 600,000 manat. Now, anyone who desires can put himself at the head of the line for a telephone—of course, if he has this amount.

[Zakirova] When will the time come that any individual can simply come get a telephone for himself without any line?

[Abbasbeyli] When there is privatization....

Official Privatization Plan Reviewed

954F2799B Baku ZERKALO in Russian
No. 25, 8 Jul 95 p 7

["TREND" article: "Privatization: The Fight for a 'Place Under the Sun' Begins"]

[FBIS Translated Text] All the economic events of the past week in one way or the other revolved around two key factors in our economy: the oil contract and the upcoming privatization. But while the work within the contract's framework is slowly gathering momentum, and the only serious problem left is the choice of the pipeline's route, with respect to privatization we see as yet a hidden but persistent fight for a "place under the sun," with its abundance of political statements on the part of both the official authorities and the opposition.

At the 1 June press conference on the subject of the upcoming privatization, GKI [State Committee for the Administration of State Property] Chairman T. Azizov's answers confused rather than explained the real state of affairs. One gets the impression that the privatization program has not been fully thought through and the program authors themselves are unsure with respect to concrete points.

First of all, this includes the amount of money the government wants to get for privatizing state property. By naming the amount of $10 billion, T. Azizov literally stunned everyone who is more or less knowledgeable about economics. Even if there is indeed state property worth $10 billion in Azerbaijan, it also has to be sold in order to realize the desired amount. And here we come across the fact that there are hardly any buyers, especially at this price. The experience of CIS and East European countries shows that if we add up all the funds cleared by the governments of all these countries in the course of privatization, the total comes to less than $10 billion.

In the case of Azerbaijan, the price of the property being privatized is simply grossly overstated. In the final analysis, this will affect the state property buying deals and will result in failure of one of the privatization phases—so-called for-money privatization.

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Also interesting was another statement made by the deputy prime minister at the press conference—that the Azerbaijan Government will not permit key enterprises to be transferred into the possession of foreign companies. In itself, the declaration of protection of national interests inspires optimism. But where does the GKI intend to get the funds for reconstruction and modernization of production? The share of internal investment resources is very small, and in order to attract external sources of financing it is necessary to give them access to control over key—and, correspondingly, the most profitable—economic sectors, which the current political elite cannot (or does not want to?) permit.

The situation around privatization also stirred up interest in who will be conducting privatization and how. Right now, an open battle is being waged in the mass media between several leading social, professional, and clan structures. In this connection most political and state figures have already demonstrated their position in the issue of privatization.

Much more important, however, is the behind-the-scenes battle which is being waged around the concrete division of state property. Therefore we should expect an exacerbation of relations between the participants in this process, which will greatly affect the privatization process itself.

Restrictions on sales of enterprises that represent interest for potential investors and the unstable socioeconomic situation will not permit sufficiently large funds to be collected from the sale of state property.

As to the population, most likely it will be de facto locked out of the privatization process. Although the program envisages selling 65 percent of stocks for privatization vouchers, the population to all intents and purposes is on the edge of biological survival and therefore will be compelled to immediately sell the vouchers. Those who attempt to invest them in particular enterprises will get nothing at all, since 80 percent of enterprises in Azerbaijan are bankrupt, and those 20 percent that may bring a profit will be put up for sale only after 70 percent of the vouchers have been transferred under the control of forces interested in preserving the current balance of interests.

Jan-May Foreign Trade Activity Charted

954F2799C Baku ZERKALO in Russian No. 25, 8 Jul 95 p 7

["TREND" report under the "News" rubric: "Five-Month Foreign Trade Exceeded $307 Million"]

[FBIS Translated Text] Over five months of this year the value of foreign trade operations of republic enterprises and organizations of all forms of ownership amounted to $307,555,200. Exports (including re-export) of goods from Azerbaijan reached $130,920,600, and the total value of goods imported into the republic was $184,036,400. In the structure of exports, re-exports accounted for $9,401,600.

Since the beginning of 1995 Azerbaijan's negative foreign trade balance has shown a trend toward increasing: The balance with far abroad countries amounted to $24,506,200, and with CIS countries—$78,006,400.

The final figures for the five months of 1995 indicate that the republic's imports exceeded exports by a factor of 1.31.

Compared to the analogous period of 1994, over five months of 1995 export of goods declined by 31.21 percent, and import—by 41.43 percent.

Georgia

Iran's Hashemi-Rafsanjani Greets Shevardnadze

AU1907122695 Tbilisi SAKARTVELOS RESPUBLIKA in Georgian 13 Jul 95 p 2

[Letter sent "To His Excellency Batoni (Georgian polite form of address) Eduard Shevardnadze, Chairman of the Georgian Parliament-Head of State" from Iranian President 'Ali Akbar Hashemi-Rafsanjani; place and date not given]

[FBIS Translated Text] Your Excellency, I would like to convey to you and the Georgian government and people my deepest thanks for your warm hospitality.

My visit to Georgia [20 April] enabled me to familiarize myself closely with your country's possibilities and potential. There is no doubt that the economic structure and geographical location of both countries creates a favorable basis for our cooperation. This was shown by the memorandums, agreements, and packet of very important documents signed during my visit to Georgia.

I am certain that all-around bilateral cooperation should continue in its practical form, taking into account the interests of both peoples and through joint efforts.

We believe that the economic development of countries in the region will become possible in conditions of security and order. Therefore, the Islamic Republic of Iran has once more confirmed its support for the territorial integrity, national sovereignty, and independence of the Republic of Georgia.

The Islamic Republic of Iran is certain that, in parallel with bilateral cooperation between the two countries, it is possible, through joint efforts, to conduct multilateral

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conferences and economic cooperation. In addition to the fact that the formation and development of multilateral cooperation will be very useful for the economic and social prosperity of the countries in the region, it will also fulfill a determining role in the matter of establishing peace, stability, and security.

I take this opportunity to invite Your Excellency once again to pay an official visit to the Islamic Republic of Iran.

I ask the Almighty to grant Your Excellency health and success and the people of the Republic of Georgia happiness and prosperity.

[Signed] Akbar Hashemi-Rafsanjani, president of the Islamic Republic of Iran.

Interparliamentary Agreement With Russia Published

AU2007111395 Tbilisi SAKARTVELOS RESPUBLIKA in Georgian 13 Jul 95 p 1

["Agreement Between the Russian Federation Council and the Georgian Parliament on Interparliamentary Cooperation" signed in Tbilisi on 12 July]

[FBIS Translated Text] The Russian Federation Council and the Georgian Parliament, henceforth to be called the sides,

attaching great importance to the development and strengthening of traditional friendship, mutual understanding, and cooperation between the peoples of the Russian Federation and the Republic of Georgia,

striving to contribute actively toward the creation of favorable and equal conditions for extending joint action in the sphere of the common interests of both states,

recognizing the importance and urgency of interparliamentary cooperation for the development of friendly and mutually advantageous relations between the two states,

guided by universally recognized principles and norms of international law, including the principles of the territorial integrity, inviolability of borders, and noninterference in the internal affairs of states,

striving toward the future development of close constructive relations and contacts between the legislative bodies of both states,

have agreed to the following:

Article 1

The sides will cooperate with the aim of developing political, socioeconomic, humanitarian, and other relations in spheres of interest to both sides.

Article 2

The sides express their readiness to exchange regularly information on their activities, promote the joint preparation of information bases providing data from parliamentary services, and promote the synchronization of the process of ratification of those treaties and agreements that have been signed by the Russian Federation and the Republic of Georgia and that are subject to ratification.

Article 3

In order to organize and coordinate joint action by the sides, a standing interparliamentary commission for cooperation between the Russian Federation and Republic of Georgia is to be created, which will be composed of representatives from the parliamentary groups of both sides and is henceforth called the Interparliamentary Commission. The Interparliamentary Commission will be headed by cochairmen approved by the sides.

Article 4

The Interparliamentary Commission will promote the development of interparliamentary relations and consultations and the exchange of information in all spheres of interparliamentary cooperation.

Article 5

The Interparliamentary Commission will analyze the state of cooperation between the sides, coordinate efforts to bring the legislative activities and national legislations of the sides closer together in spheres of interest for both sides, and organize the preparation of proposals and recommendations in all spheres of parliamentary cooperation for the parliaments of both states.

Article 6

The Interparliamentary Commission will study possibilities for the future development of cooperation between the sides, prepare proposals, organize joint action by parliamentary committees and commissions, and, if necessary, promote the creation of joint groups of deputies and experts with the aim of coordinating the legislative process and studying and synthesizing the experience of parliamentary activities.

Article 7

The rules governing the organization of the work of the Interparliamentary Commission are determined by a statute and other acts that are ratified by the Russian Federation Council and the Georgian Parliament.

Article 8

The sides will promote the establishment of permanent relations between those scientific institutions that function within the bodies of legislative power of both states

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and will send experts to study the elaboration and adoption of legislative acts and the experience of parliamentary activities.

Article 9

Questions concerning the application and interpretation of this agreement and also the introduction of changes and additions to it are to be resolved through negotiations, mutual consultations, or in a different way upon agreement of the sides.

Article 10

The dates for holding meetings and consultations, their level, and issues to be discussed will be determined in advance by the sides.

Article 11

This agreement comes into force the day it is signed and is valid for each side for six months after one of the sides notifies the other in writing of its intention to annul the agreement.

Drawn up in Tbilisi on 12 July 1995 in two copies, one in Russian and one in Georgian; both texts have equal force.

[Signed] Vladimir Shumeyko, on behalf of the Russian Federation Council

Eduard Shevardnadze, on behalf of the Georgian Parliament

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Latvia

Prime Minister Interviewed on Banking Crisis

WS1907135095 Riga LETA in English
1308 GMT 19 Jul 95

[Press Review]

[FBIS Transcribed Text] This morning the newspaper NEATKARIGA published a lengthy interview with Latvia's Prime Minister Maris Gailis. Mr. Gailis admits that Latvia is experiencing a financial crisis and a banking crisis. He takes full resonsibility for the financial problems, but considers that the Bank of Latvia and its president, Mr. Einars Repse, must take the blame for the banking crisis because the Bank of Latvia is charged with the supervision of the banking system in Latvia.

Thanks to the recent appointment of a State Minister of Revenues, tax collection has been greatly improved. A number of covert operations have uncovered gross irregulaities in the work of lower echelon customs inspectors. Although no high standing officials of the Department of Customs and Excise could be linked to unlawful practices, there have been a number of personnel changes in the management team of the Department. On the collection of taxes, the Prime Minister added that work is in progress to coordinate the efforts of the Department of Revenue and the Ministry of Justice. In order to control the flow of contraband in alcohol, the government plans to limit the number of importers of alcohol to a maximum of eight companies instead of the present fourty.

The Prime Minister noted that the Bank of Latvia is doing a better job supervising the private banking sector, but he expects that more bankrupcies will follow. Mr. Gailis is confident that the banking crisis is almost over and he is hopeful the Lats, the national currency, will stay stable.

Foreign Minister Departs for Talks in Greece

LD1907174595 Riga Radio Riga Network in Latvian
1700 GMT 19 Jul 95

[FBIS Translated Text] Latvian Foreign Minister Valdis Birkavs departed on a visit to Greece today.

Viktors Mucins, press secretary at the Latvian Foreign Ministry, reported that a meeting with the Greek foreign minister and the signing of an agreement promoting and protecting mutual investments have been scheduled for Birkavs in Athens.

The visit is primarily informative. It is also aimed at promoting a more detailed understanding of Latvia among the group of southern European states and at promoting cooperation between Latvia and the group of south European countries which are members of the European Union and NATO.

Lithuania

Security Working Group To Work With NATO, EU

WS2007090795 Vilnius ELTA in English
0022 GMT 20 Jul 95

[From "News Bulletin" No. 802, dated 19 July 1995]

[FBIS Transcribed Text] Vilnius, July 19, ELTA — Lithuanian Government made a decision to form a working group that would be engaged in preparing the agreement with the NATO and the European Union (EU) on protection of secret information.

Head of the group, who is also Foreign Ministry secretary Albinas Januska, said that it is not yet clear, whether there will one agreement with two organisations, or two separate agreements.

The document should define how secret information would be protected "between the NATO and Lithuania".

Albinas Januska refused to point out, what concrete data would would be protected but noted that the document would be drafted with respect to Lithuanian regulations and regulations of two international military organizations.

Foreign Ministry secretary did not give the concrete term, when the Lithuanian working group was ready to present its proposals based on Lithuanian laws. Nevertheless, the secretary promised that the process would be finished as soon as possible.

The seven-member working group consists of Foreign, Interior, Defence, Justice ministries officials, as well as of officials from the State security department and Government.

IMF Board Commends Country's Transition Economy

LD1907205295 Moscow INTERFAX in English
1929 GMT 19 Jul 95

[FBIS Transcribed Text] VILNIUS, July 19 (INTERFAX) — The IMF board named Lithuania as "one of the most progressive countries with a transition economy that has achieved macroeconomic stability," the press service of the State Bank of Lithuania said in a press release on the results of the last week's IMF board meeting in Washington received by INTERFAX Wednesday [19 July] evening.

According to the document, the meeting focused on the implementation of a treaty on cooperation with Lithuania signed in October 1994.

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At the same time, the meeting expressed concern about the widespread speculations on the need to devalue the litas, the republic's monetary unit, and un-fix it against the "basic currency."

The IMF board recommended the Lithuanian government to take "tougher measures against legal entities and individuals with overdue debts for energy" and spoke against a "protectionist agricultural policy," according to the document.

Despite IMF recommendations, Lithuania has been granting privileged credits to farmers and setting suggested purchase prices on individual staples of agricultural produce.

Lithuanian Finance Minister Reinoldijus Sarkinas told journalists that IMF experts had arrived in Vilnius Wednesday to develop the guidelines of work for the republic's taxation and budget department together with local experts. The IMF mission will work in the republic for two weeks.

French, Latvian Ships Take Part in Naval Exercise

MM1907133395 Moscow KRASNAYA ZVEZDA in Russian 19 Jul 95 p 3

[Report by Valeriy Gromak: "Joint Exercises Held in Baltic"]

[FBIS Translated Text] Joint exercises involving warships from Lithuania, Latvia, and France have ended in the Baltic. They were held in Lithuania's territorial waters and the economic zone west of Klajpeda. The Lithuanian frigate Zemaitis and the Dzukas fast patrol craft, two French warships, and one Latvian warship took part in the exercises.

Commodore Raimundas Baltushka, commander of the Lithuanian Navy who led the exercises, announced that the ships carried out rescue, search, and control tasks at sea as well as communications exercises.

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